THE Freeman

IDEAS ON LIBERTY

JANUARY 1960

Paupers in Parity	Lawrence Sullivan	3
Salesmen of Sloth	Wall Street Journal	9
Lawmakers or Robots?	Frederick A. Manchester	11
Surplus Train Rides	H. P. B. Jenkins	19
Political Activities and Political Expenditures	Sylvester Petro	20
Love That Neighbor	John C. Sparks	29
Economics for the Teachable	Leonard E. Read	32
A Short History of Political Power	Bernard Iddings Bell	41
European Socialism in Eclipse	W. H. Chamberlin	42
The European Economic Community	Hans F. Sennholz	50
Where "Bigness" Is a Blessing	John Chamberlain	58
Other Books		62
What Free Enterprise Means to Me	Keith S. Wood	65

THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Coast Federal Savings and Loan Association
of LOS ANGELES

Join the thousands of others from all 50 states and many foreign countries who hold individual, joint, trust or corporation savings accounts and get the following outstanding advantages for your invested savings.

HIGHEST EARNINGS– since October 1, 1959, we are paying at the rate of 4¼% per annum. Accounts opened or added to by the 10th of any month earn from the 1st of that month.

ASSETS OF OVER $365 million, with over $117 million in cash and government bonds and Reserves of over $30 million as of June 30, 1959.

AVAILABILITY OF FUNDS – Coast Federal has always paid every withdrawal immediately on request.

SAVE-BY-MAIL – Airmail postage paid both ways on all transactions.

SECURITY of principal assured through progressive, conservative management and the additional protection of $10,000.00 insurance on each account.

COAST FEDERAL SAVINGS
JOE CRAIL, PRESIDENT

MEMBER – FEDERAL HOME LOAN BANK – FEDERAL SAVINGS AND LOAN INSURANCE CORP.

Coast Federal Savings, Department "H"
855 South Hill St. at 9th
Los Angeles 14, Calif.

(Please check-mark as desired.)

1. ☐ *I enclose* ☐ *check,* ☐ *money order, to open* a savings account in the following name or names: _____
_____

2. ☐ *Please send me a copy of your* Booklet "Let's Get Acquainted", Savings Account Information and latest financial statement.

Name _____

Address _____

City _____ Zone _____ State _____

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to save billions in future taxes

Thoughtful people generally acknowledge that government spending policies are going to influence the course of U. S. inflation—and whether it can be halted at all.

There's lots of talk about "reasons" for spending programs. But there is little public discussion of federal spending that could be eliminated entirely without loss of jobs or national strength and safety.

COSTLY GOVERNMENT VENTURE IN POWER

Questionable on every count is the necessity for the federal government's continuing venture into the electric power business. To date, it has cost taxpayers about $5,500,000,000, and the "public power" pressure groups are after another $10,000,000,000—the kind of money that could contribute to the difference between inflation and stability.

THE REAL "PUBLIC POWER" ISSUE

Cleared of claims and emotion, the heart of this issue is simple: whether the money for the inevitable growth of electric capacity is to be put up by investors or by taxpayers.

It's quite unnecessary for taxpayers to finance the electric supply. The independent electric companies and their millions of investors can finance and produce all the power the nation can conceivably need.

THE TAX NOBODY SEES

No issue of such importance in the federal budget is so little known to the American people who pay billions of dollars in taxes as the cost of federal government electric power. This is why informed people are trying to spread the word.

Will you help? You can get up-to-date figures and background quickly and at no cost. Write for the new booklet, "Who Pays for Government-in-the-Electric-Business?" to Power Companies, Room 1100-Q, 1271 Ave. of the Americas, New York 20, N. Y.

AMERICA'S INDEPENDENT ELECTRIC LIGHT AND POWER COMPANIES

Company names on request through this magazine

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

JANUARY 1960 Vol. 10 No. 1

LEONARD E. READ *President,* Foundation for Economic Education

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.00 a year per person on the mailing list. Donations are invited in any amount — $5.00 to $10,000 — as the means of maintaining and extending the Foundation's work.

Accepted as controlled circulation publication at Irvington, N. Y., with additional entry at New York, N. Y. Copyright, 1960, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for $1.00; 25 or more, 20 cents each.

Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "Salesmen of Sloth" and "A Short History of Political Power."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

PAUPERS in PARITY

Congress surveys a quarter-century of price-fixing in basic farm crops

LAWRENCE SULLIVAN

FARM RELIEF broke a political leg when Congress laid a hand to an official list of all growers who received government checks for $50,000 or more in price support loans on their 1958 crops.

One rice producer got a loan of $5,369,078; another, $1,331,723.

The top barley-loan check was for $1,140,431; another, $1,115,860; a third, $951,076.

Many legislators long had regarded parity support loans as a government subsidy calculated to shield struggling sons of the soil from the on-rushing sheriff. Few were prepared for individual parity checks ranging into millions of dollars a year.

Fairly representative of the instant reaction on Capitol Hill was the blunt challenge hurled by Congressman William J. B. Dorn (D., South Carolina) on August 3, 1959:

"Government price supports have not, cannot, and will not solve the American farm dilemma. . . . If agriculture is to regain its independence and be a real factor in the cold war, we must get the government out of the farming business. . . . We must eliminate government price supports and acreage controls."

The third largest rice-loan check was $646,379; the fourth, $500,772.

Three dry-bean growers got checks for $567,944, $520,039, and $441,672.

The largest loan check in wheat was $515,265; in soybeans, $307,322; in oats, $247,954; in grain sorghums, $120,885; in flax, $78,766; rye, $44,074; peanuts, $34,017; honey, $27,324.

Individual parity checks in cotton, corn, and tobacco were not itemized in the report of the Department of Agriculture, the tabulation showing only that 102 corn farmers and 249 tobacco growers

Mr. Sullivan is Coordinator of Information, U. S. House of Representatives.

Illustration: Government storage bins in Minnesota. (A. Devaney, Inc., N. Y.)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

were eligible for loans in the range of $50,000 and up, along with approximately 2,000 cotton growers.

This congressional examination of the larger price-support loans was in no sense directed to any hint of corruption or irregularity, nor to any conduct tinged by moral turpitude or callous business ethics. All the parity payments reported were precisely in accord with the letter of the law. Congress merely was exploring the possibility of some legal ceiling on future loans, on the broad theory that government-guaranteed prices for the basic crops should apply only to *needed* production, not to surpluses for dead storage. As one distinguished member of the House Committee on Agriculture explained, his personal interest in the blue-chip parity lists had been prodded chiefly by the classic observation of the late Will Rogers: "We ought not spend money we haven't got for things we don't need."

Throughout the country 117 wheat growers received 1958 loans in excess of $50,000 each, for a total of $9,117,417. At the end of the crop-year last August all of the 5,257,518 bushels of wheat covered by these loans (plus a great deal more) was government surplus.

Individual loans greater than $50,000 each made up 25.3 per cent of all funds loaned on rice that year; 9.9 per cent of all loans on dry beans; 7.8 per cent of all barley loans; roughly 1 per cent of all price-support checks in wheat, oats, and soybeans.

Soil-Bank Payments

Another tabulation from the Department of Agriculture – this one filled sixteen pages in the *Congressional Record* – listed individual payments of $10,000 or more for acreage temporarily retired from production during the crop-year 1957. One wheat grower got $322,012; another in the same state, $278,187. A western cotton grower got $209,701; another $135,107. In this list was another group of 67 farmers who received checks of $50,000 or more, this time for lands withdrawn from production.

For the entire country there were 2,422 soil-bank payments of $10,000 or more. These payments covered 1,597,661 acres on which no crops were raised, the government paying $43,855,793 for the combined nonproduction – an average of roundly $28 per empty acre.

Total soil-bank acreage retired for 1957-58 was 23 million, at an average federal cost of $28.55 per acre. Any farmer eligible to put 160 acres into Uncle Sam's soil bank that year, at the average rate, was assured before the planting season a non-harvest check for $4,568. For the year, some 7.1 per

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cent of the total soil-bank funds were disbursed in checks of $10,000 or more.

The 1960 soil-bank program calls for 28 million acres, an increase of 5 million acres in our still expanding conservation reserve.

The Storage Problem

Government holdings of surplus farm products at the end of 1959 were $8.7 billion, up $1.7 billion over a year ago.

Some principal items in today's rapidly deteriorating, but growing, agricultural stockpile:

Wheat	1,143,453,837	bushels
Corn	1,041,248,617	bushels
Cotton	6,981,592	bales
Tobacco	859,740,111	pounds
Dried milk	141,712,694	pounds
Rice	785,192,300	pounds
Butter	78,166,284	pounds
Grain sorghums	13,982,006	tons

Approximately 18 million bushels of this corn surplus was tagged from the 1955 and 1956 crops. Other items in today's surplus stock-pile are flaxseed, barley, soybeans, oats, cheese, rye, linseed oil, rosin, honey, tung oil, and $14,096,622 in shelled peanuts.

For the fiscal year ended June 30, 1959, the net operating loss on all price support inventories was $821,127,779. Currently, the net operating loss averages $100 million per month. Storage costs alone are more than $1,000,000 a day, not including interest, deterioration, or transportation charges. Government surplus crops sold for blocked currency in the overseas disposal programs, as a measure of foreign aid, bring the Commodity Credit Corporation an average of 70 cents on the dollar invested at the farm.

In a special message to Congress January 29, 1959, President Eisenhower emphasized that growers who produce some 238 different farm commodities *not* under government price-support programs "have generally experienced growing markets rather than a build-up of stocks in warehouses." Only the twelve to fifteen crops eligible for federal price-support loans are in persistent and ever-increasing oversupply.

"The price-support and production-control programs have not worked," the President declared. "Clearly, the existing price-support program channels most of the dollars to those who store the surpluses, and to relatively few producers of a few crops. It does little to help the farmers in greatest difficulty."

Our present surplus wheat in government storage makes very close to a full two-year normal supply – with another new crop of roundly a *billion* bushels coming on this summer. Storage facilities are filled to bursting, and 370 surplus

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

merchant ships now hold some 100 million bushels of carry-over wheat.

"These heavy costs might be justifiable if they were temporary, if they were solving the problems of our farmers, and if they were leading to a better balance of supplies and markets. But unfortunately this is not true," the President's message concluded.

Improved Farming Methods

Current price-support theories and equations were formulated in the early 1930's when it required 106 man-hours of farm labor to produce 100 bushels of wheat. Today's national average is 22 man-hours per 100 bushels. The 1938 support price on wheat was 59 cents per bushel; the 1959 support price was $1.81 per bushel.

Our basic wheat area of 55 million acres was established in 1938, when the average yield was slightly less than 13 bushels per acre. Today's basic wheat allotment area still is 55 million acres, but our 1958 yield was 27.3 bushels to the acre! How long will it take to balance supply and demand under these fantastic price incentives?

As President Eisenhower suggested in his message last January: "It is small wonder that a program developed many years ago to meet the problems of depression and war is ill-adapted to a time of prosperity, peace, and revolutionary changes in production."

Nor do overseas give-aways reduce our mountainous surpluses. Since that avenue of escape was first opened by law in 1954, total surplus holdings of the Commodity Credit Corporation have shown a consistent annual increase rather than a steady diminution equal to total government food sales and gifts abroad.

In a survey of several abortive disposal programs, a special advisory committee of nongovernment farm economists reported in mid-1959: "So long as our support prices are such as to guarantee profits, thus providing a most unusual incentive, this situation is likely to continue. . . . A gradual correction of this violation of sound economics and the American tradition, is indicated."

Expanding Yields per Acre

Spectacular advances in farm technology are one considerable factor in our ever-expanding surpluses. In broad terms, we are producing on our farms today almost 50 per cent more tonnage than in 1940, on fewer acres, and with about one-third less man-hours of labor. Tractors, electricity, fertilizers, irrigation, and pest sprays have combined to more than double the yield per acre over vast

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

areas of grain and fiber production.

Since 1900 we have expanded our harvested acreage by only 14.6 per cent, while our population has increased by 138 per cent. In 1900 we farmed 295 million acres to feed 76 million people. Today we feed 180 million people from 338 million acres – and still the surplus piles ever higher from year to year.

This trend over the last half century is summarized dramatically by Marvin L. McLain, Assistant Secretary of Agriculture, in the statement: "Total crop output for 1958 was the largest of record, despite the fact that the planted acreage was the smallest in more than forty years."

Total crops in 1959 were larger than in 1958.

A Persistent Pattern of Failure

In the perspective of twenty-five years, government price supports have tended principally to build up unmanageable surpluses in fifteen basic farm products, while discouraging natural expansion in some 235 other agricultural products, as called for by our steadily expanding national economy. Reputable scholars have estimated that perhaps 50,000,000 acres of land now "frozen" in wheat, cotton, corn, and tobacco production under government-guaranteed prices, might well be diverted profitably to specialty crops, luxury items, and pharmaceutical plants. The Department of Agriculture has many times described price supports as a drag upon the whole national economy "when they serve as a stimulant to unwanted and uneconomic production."

"Unfortunately, the high-level supports put into effect during World War II were kept too long. . . . When price supports are set at uneconomic levels, uneconomic consequences are bound to follow."

Between 1938 and 1958 our U.S. population increased by 32 per cent, and our total farm output by 50 per cent.

Assistant Secretary McLain bluntly urges a return to the free market: "We must allow the normal influences of market demand and price to have greater effect on production and marketing. . . . Basic changes in legislation are needed to pave the way for program adjustments to meet these needs."

Congressman Jamie L. Whitten (D., Mississippi), chairman of the Appropriations Sub-committee on Agricultural Funds, likewise urges greater reliance on the free market: "Now, in the first place, for us to ever straighten out this agricultural situation, we are going to have to do it by sales through normal channels, and by pulling do-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mestic production down to domestic and world markets."

Subsidized disposal abroad, Mr. Whitten regards as "sweeping our overproduction under the rug; we are kidding ourselves, for it shows up in the losses of the Commodity Credit Corporation. . . . It has already reached something over $6 billion. . . . I think we should begin to dry up this approach."

Unmanageable Surpluses

All our fabulous efforts in "farm relief" over the last twenty-five years have foundered on the rocks of unmanageable surpluses.

Moreover, government price-fixing on the farm has stimulated inflation throughout the entire economy. Parity in farm prices requires that agricultural products must advance in price from year to year, as higher city wages push up the cost of things the farmer buys. At the same time, the "escalator clause" in labor contracts automatically advances city wages step for step with advancing food and living costs. These two policies, together – both literally enforced by government action involving deficit spending – present automatic, built-in inflation. The two programs working together present economic perpetual motion – farm prices chasing wages, and wages chasing farm prices, ever upward.

Yet all our heroic billions-a-year efforts at parity have not maintained farm purchasing power at the arbitrary government calculation. The Department of Agriculture reports that during the last ten years aggregate farm prices have declined 13 per cent while aggregate nonagricultural prices in the parity equation have advanced 28 per cent.

Thus, "farm relief" has not, in fact, achieved or maintained parity, but our jovial Uncle Sam, nevertheless, still is holding the bag on $9 billion worth of surplus farm production.

Viewed in calm historical perspective, the record appears clear enough. Some 5,000 individual price-support payments each year in the range of $10,000 to $5,000,000 do not reflect a solid national program in agriculture.

Every government payment for surplus production is a direct Treasury bounty for crops we don't need, can't use, and can't dispose of in any direction before the next harvest.

All reputable economists now are agreed that revised national policies looking to early re-establishment of a free market in agriculture would offer far more solid hope for every farmer in the land – and immeasurable new hope for every taxpayer. ◆

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

SALESMEN OF *Sloth*...

IN DISPUTE after labor dispute this year, companies have tried to get at the problem of union featherbedding. And important though this problem of pay for no work is, it seems to us to reflect an even more serious matter.

That is the apparent acceptance by many Americans of the idea that they don't need to work very hard; their apparent preference to get by with the least effort and indeed to demand progressively higher pay for progressively less work.

We realize that statement is subject to the perils of any generalization. We also realize that part of this country's high material standards is this ability of individuals to live comfortably on the basis of relatively few hours of work. We further realize that many men nonetheless do work extremely hard and that some, or so it is said, thereby drive themselves to early graves.

But what we are talking about is shirking on a scale more widespread than ever before in this country, and more prevalent in unions than anywhere else. Throughout American industry there is a discernible employee apathy. Throughout the American economy there is featherbedding – railroad firemen paid to tend nonexistent fires, musicians paid for not playing, farmers paid for not farming, pilots paid for not flying, everywhere men paid for watching machines that do not need watching.

At this point it might appropriately be asked: If all this is so, how come the productivity of labor is said to be constantly increasing? The plain answer is that the rising productivity of labor is largely a misnomer. Capital investment in ever more productive machinery is the answer.

It is impossible not to wonder about the attitude of people who accept pay for no work, year in and year out, or who do the least possible – a form of inactivity that might be called unofficial featherbedding. It is impossible not to wonder what has happened to their self-respect.

Here again there is an answer.

From *The Wall Street Journal*, October 14, 1959.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Union leaders not only sanction and encourage all forms of featherbedding; they defend the practices with a circuitous reasoning that would stun a Sophist. Naturally, if the great god at the head of the union approves, why should a mere union member bother about a pang of conscience? Immorality exalted, it appears, ceases to be immorality. And the union example is followed elsewhere.

Conspiring with and reinforcing this union attitude is the governmental philosophy fashionable in our time. This would remove from the individual many of the cares of dealing with life, and most particularly remove his sense of responsibility; in a word, spare him the bother of being a human being with inherent dignity and self-respect. It is not so surprising if many people are willing to do little when government presumes to do all.

So much for causes. The effects are also evident with increasingly painful clarity. Frequently shoddy workmanship. Crippling strikes for whimsical reasons. Disdain for a contract. The enormous economic toll of featherbedding which is rapidly turning this into a high-cost economy, as reflected in the inability of U.S. products to compete as once they did in world markets. Perhaps most important of all, the erosion of values once held high.

We are not calling for some nebulous national moral resurgence, though the problem is a moral one. We are saying that if there is softness in America today it is not primarily inferior education or "inadequate" public spending but this union and statist sponsored philosophy of indolence. There are other countries, some friendly and some otherwise, where that philosophy does not obtain.

And we are saying that a little moral indignation ought to be directed at the salesmen of sloth that weaken our society.

IDEAS ON LIBERTY

As a Man Doeth

THE WORLD owes no one a living. Every man was born with the God-given right to partake of the world's goods according to his talent. When one denies himself this right of purposeful opportunity, through laziness and lack of initiative, he sins *against himself as well as his fellow man.*

RICHARD L. SPAHR
Lewistown, Pennsylvania

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

LAWMAKERS OR ROBOTS?

THE TRUE REPRESENTATIVE PRINCIPLE

FREDERICK A. MANCHESTER

BEFORE ME lies a copy of the August 1959 issue of *The National Program Letter*, a four-page journal of conservative opinion published at Searcy, Arkansas. The opening paragraph of the leading editorial contains implications which may well arrest attention. Here it is:

Nearly all American citizens now agree that the present laws for the control of labor union bosses and racketeers have proved in recent years to be quite inadequate. But not enough citizens have said so to their representatives in Congress. Therefore we have the spectacle of a powerful labor boss and his gang of ex-convict goons openly defying the U. S. government and gravely jeopardizing the welfare of the people of the United States. We have the spectacle of union violence, of murder and property destruction under the eyes of local and state police forces held captive by fear or corrupt political power. We have the spectacle of labor bosses controlling local, state and national politics.

One implication is, either that our representatives in Congress are strangely unaware of a serious threat to our welfare recognized by "nearly all American citizens," or that, though they are aware of it, they do nothing about it. Another is that the responsibility for this dangerous state of things rests, not on our representatives in Congress, but on ourselves, the American people. It is because *we* have failed – note the "therefore" – that the lamentable spectacles listed have come into being.

Still another implication is (and this I wish to emphasize) that if "enough" of us present our views to our representatives they will carry them into action – what they themselves may happen to think being apparently a matter of no mentionable importance. Our representatives, in short, are not conceived as independent agents, acting in accordance with what they believe to be just, necessary, and

Dr. Manchester is an educator, formerly of the Department of English, University of Wisconsin.

Illustration: A. Devaney, Inc., N. Y.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

desirable, but rather as automatic reflectors of the opinions of their constituents.

In this robot conception of our congressmen *The National Program Letter* does not stand alone. Only the other day President Eisenhower, concluding his radio-TV speech on labor legislation, said:

> This business of government – including this question of labor reform – is your business. It is every citizen's business.
>
> Americans want reform legislation which will be truly effective. It is my earnest hope that the Congress will be fully responsive to an overwhelming national demand.

A wished-for overwhelming national demand (note the word), and, it is earnestly hoped, an affirmative response – but, again, no suggestion that Congress need be convinced before it acts.[1]

Why is it a political commonplace that in an election year Congress will pass no legislation sure to be widely unwelcome to voters, regardless of how important it may be to the public welfare? The answer is plain, the reasoning simplicity itself. If the people know (or think they know) what they want, they also know (or think they know) what they don't want; Congress is expected to reflect the people's current views; and it is the people, after all, that determine who goes to Washington.

But illustrations are scarcely needed. So familiar is the idea that representative government is, to all intents and purposes, direct government by the people – the legendary New England town meeting at one physically necessary remove – that to most of us the fact that there ever was a different idea is likely to come as a surprise. Yet according to James M. Beck, onetime Solicitor General of the United States, a sharply contrasting concept was in the minds of the framers of our Constitution. The framers, he says, "believed that a representative held a judicial position of the most sacred character and that he should vote as his judgment and conscience dictated, without respect to the wishes of his constituents."[2] Certain it is that Edmund Burke, among the most outstanding of modern political thinkers, cherished a similar belief. It was in a speech to his Bristol constituents (referred to by Beck), which was delivered immediately after his election to a seat in Parliament, that he gave classic expression to a view of the representative principle which few

[1] I have here of course no concern with the President's views on labor legislation.

[2] *The Constitution of the United States* (Garden City, N. Y.: Doubleday, Doran & Company, Inc., 1941), p. 183.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

can altogether fail, if not to admire, at least to respect:

> Certainly, gentlemen, it ought to be the happiness and glory of a representative to live in the strictest union, the closest correspondence, and the most unreserved communication with his constituents. Their wishes ought to have great weight with him; their opinion, high respect; their business, unremitted attention. It is his duty to sacrifice his repose, his pleasures, his satisfactions, to theirs; and above all, ever, and in all cases, to prefer their interest to his own. But his unbiased opinion, his mature judgment, his enlightened conscience, he ought not to sacrifice to you, to any man, or to any set of men living. These he does not derive from your pleasure; no, nor from the law and the constitution. They are a trust from Providence, for the abuse of which he is deeply answerable. Your representative owes you, not his industry only, but his judgment; and he betrays, instead of serving you, if he sacrifices it to your opinion.

It is not to be supposed, of course, that the Burkean and Constitutional conception operates without limit. On this theory a constituency selects its representative and authorizes him to speak for it; but the relation is not that still sometimes associated with marriage – a solemn compact to continue binding "until death do us part." Burke himself held his Bristol seat only six years, a difference of opinion, apparently altogether creditable to him, putting an end to the connection. The people give their representative a distinctly free rein, but they keep their eye on the general direction in which he is moving, and when they are convinced he is headed toward destinations they disapprove, they discharge him from their service and choose another – presumably with more circumspection – in his place.

A Patient-Physician Relationship

The relation between constituents and representative – on this theory – resembles that between a patient and his physician. The patient knows well enough, in general terms, what he wants: he wants to be restored to health, or kept there; and he has, or in this literate age should have, some basic ideas regarding the laws of medical science. If he is intelligent he will make due effort to get a competent practitioner to serve him, but having made his choice he will not presume to instruct the supposed expert in the technique of his art. However, when he has reason to suspect quackery, or when a reasonable time passes and his health has obviously deteriorated or obviously remains unimproved, he is prompt to bid his physician adieu; and if he is wise

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and can learn from experience, he will select his second physician with even greater care than he did the first.

This selecting the right physician, or, to return to our subject, this selecting the right political agent, is a task of enormous importance; and in a country in which the government is based on the true representative principle a main object of all education, public and private, formal and informal, should be to equip the citizen with the kind and amount of knowledge indispensable to performing it well.

Supporting Considerations

A number of considerations support what I have just called the true representative principle.

It is reasonably conformable, for one thing, to the facts of human society as we know it today, and as it is likely to continue into the indefinite future. The point is basic, and if I dismiss it now, it is only to return to it later.

Again, it seems well calculated to reduce the disproportionate influence on legislation of self-seeking minorities, whether aided or not by organized resident lobbies. So long as a representative is regarded as, and primarily aims at being, the mere mouthpiece of his constituents, a minority of these can hope by making a big noise to give the illusion of a strong popular demand and thus to gain its ends. But once the representative assumes his proper role of independent thinker and legislator, the big noise dwindles to silence, or, if it continues, it will have only such influence as is proper to the ideas, if any, to which it gives expression.

Again, it unquestionably makes against sectionalism and groupism in legislation, with such attendant phenomena as pork barrels, logrolling, and blocs. No longer hampered by the need of reflecting the immediate desires of his constituency – often, inevitably, selfish in their nature – a representative can freely cooperate with his fellows to make up the genuinely national legislature so nobly envisaged by Burke. In the speech to his Bristol electors quoted above he says – and for "parliament" we may read "Congress":

> "Parliament is not a *congress* of ambassadors from different and hostile interests; which interests each must maintain, as an agent and advocate, against other agents and advocates; but parliament is a *deliberative* assembly of *one* nation, with *one* interest, that of the whole; where, not local purposes, not local prejudices, ought to guide, but the general good, resulting from the general reason of the whole. You choose a member indeed; but when you have

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

chosen him, he is not member of Bristol, but he is a member of *parliament*. If the local constitutent should have an interest, or should form an hasty opinion, evidently opposite to the real good of the rest of the community, the member for that place ought to be as far as any other from any endeavor to give it effect."

Somehow it would seem an excellent suggestion that the presiding officer read this passage, in a loud voice, at the beginning of every session of our House and of our Senate.

Legislative Specialists

Again, it is in perfect keeping with the modern theory and practice of specialization. Classified knowledge and its applications have increased during the last centuries at so stupendous a rate that it is no longer possible for one to be expert, as a rule, in more than one field. The theory and practice of government is a field by itself, one of the most intricate and difficult, and one in which the difference between what is sound and what is unsound may often be exceedingly hard to discern.

I own that when I am solicited to write to my senator and congressman, in favor of or against some pending legislation, I am often inclined to protest, and exclaim: Why come to me with this? True, I have tried to inform myself regarding the general nature of wise government, but I pretend to no competence in details. These I entrust to my representatives, men who I hear are well paid for their work, men whose profession is legislation. I, too, have a profession: do you expect me to add their profession to mine? They have *one* profession; why, in heaven's name, should I be called upon to have two? Moreover, is it reasonable to expect me, who have not sat in Congress and heard the debate upon this issue, to decide impromptu upon its merits, and direct my representatives how to vote? Government and legislation, says Burke, in the speech already twice invoked, "are matters of reason and judgment . . .; and what sort of reason is that, in which the determination precedes the discussion; in which one set of men deliberate, and another decide; and where those who form the conclusion are perhaps three hundred miles distant [in America perhaps five thousand] from those who hear the arguments?"[3]

[3]This protest is not weakened by the reflection that Congress is not the only lawmaking body in which I have representatives. There are in addition the state legislature and the city council. If it is my duty to keep perpetually alert as to what goes on in federal Washington, and to press my opinions there, it is also my duty — the difference being at most in degree only — to do likewise at the lower levels.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Hire a Housekeeper

Again, it tends to free society as a whole from any necessity of devoting a disproportionate amount of its time to the machinery of government. In this consideration, intimately related to the one just advanced, I have a vivid interest possibly more or less personal to myself. For the more I think of it, the more I agree with the teacher and friend who once remarked of politics that it is *the housekeeping of the nation.* Now we do not keep house in order to keep house, but in order to make possible many pleasures and satisfactions for which housekeeping is prerequisite. So with government. Despite the pomp and circumstance by which heads of state are conventionally surrounded, government too is an unfortunately necessary means, not an end. We do not set it up and conduct it for its own sake, but in order to assure conditions under which we can engage to advantage in what our Declaration of Independence calls the pursuit of happiness. The less time we are required to spend in mere housekeeping, or in mere governing, the better; and surely it is the part of wisdom that the details of governing, including the details of lawmaking, as opposed to principles, should be the concern, by no means of all of us, but of only a few especially fitted by nature for such responsibility, and especially trained to discharge it.

The Best None Too Good

And, finally, it undoubtedly makes for representatives and senators of superior quality. We want and need in Congress men of outstanding intellect and of upright and forcible character – men highly competent both to think and to lead. What is there to attract such men in the idea of serving passively the popular will? Who can imagine them answering at roll call "Aye," in obedience to a "demand" of their constituents, when in reality they are deeply convinced, head and heart, that the only wise and honest vote is a thunderous "No"? Would they not feel that any such self-disavowal was an intolerable "flight from integrity"?[4]

Nor could the men I have in mind be moved by such specious reasoning as that described by John Morley in an interesting comment which I shall presently quote. Its subject is the conduct of Burke on the occasion, referred to above, of his conflict with his Bristol constituents. A bill that had been brought into Parliament re-

[4] I borrow the phrase from Leonard E. Read, who employed it as title of an article in *The Freeman* for December 1959.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

laxing some of the commercial restrictions on Ireland was furiously opposed by Bristol and other British mercantile centers. Burke not only spoke and voted in favor of the bill but urged that it did not offer nearly relief enough. Morley, from whom I take the story, observes:

> There was [in Burke's behavior] none of that too familiar casuistry, by which public men argue themselves out of their consciences in a strange syllogism, that they can best serve the country in Parliament; that to keep their seats they must follow their electors; and that therefore, in the long run, they serve the country best by acquiescing in ignorance and prejudice.

The three sentences which immediately follow this passage, though somewhat digressive in the present context, are after all so pertinent to my general theme, so certain to meet with cordial approval, and so good to listen to in themselves, that I shall not forbear to add them:

> Anybody can denounce an abuse. It needs valor and integrity to stand forth against a wrong to which our best friends are most ardently committed. It warms our hearts to think of the noble courage with which Burke faced the blind and vile selfishness of his own supporters.[5]

[5] *Burke* (London: Macmillan and Co., Limited, 1923), p. 76.

It would seem, then, sufficiently obvious that distinguished men are not to be enticed into Congress, or long kept there, if it comes to be clearly understood that they must play, as regards any or all legislation, a secondary, purely instrumental, and morally questionable role. On the other hand, free them from such a role, ask of them only that they consecrate their uncommon abilities to the public good, and give them scope to make themselves felt as creative and independent personalities, and it seems reasonable to suppose that soon more and more of them will occupy Congressional seats.

Men of eminent capacity are seldom unaware of their value, and they do not knowingly and willingly condemn themselves to insignificance. Nor is it good for them that they should do so. It was Theodore Roosevelt who once said, in effect – if across many years I recall correctly a remark attributed to him – that nothing does a man so deeply regret, when he comes to die, as not to have made the most of the talents which he possessed.

Dangers of Direct Democracy

By means of all the preceding considerations I would urge the validity and desirability of what I like to call the true representative principle – but easily the most

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

important of them is the one I mentioned first: the principle is in accord with the facts of human nature and of human society. The people as a whole are simply not fitted to govern immediately and directly, either by disposition or by education. On the issue involved division of opinion is ultimate and irreconcilable. Either you believe that the people as a whole *are* fitted to govern immediately and directly – and many, perhaps in our time and country most, do so believe – or you do not. I happen to be among those who do not; and I should like to think that Lincoln, our democrat par excellence, was demonstrably on our side.

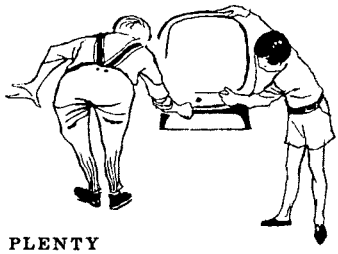
You can fool all of the people some of the time, he said, and some of the people all of the time, but you can't fool all of the people all of the time. The people that you can fool all of the time are the congenitally and irremediably gullible; these we may dismiss from consideration. You can't fool all of the people all of the time – for the very good reason that not all people are hopelessly gullible, and sooner or later those who are not will realize, if only from the thrust of brute fact – from the manifold annoyances and sufferings to which they are subjected – that something is wrong. But you can, said Lincoln, fool all of the people some of the time: all of the people can, in short, be temporarily lured down a false trail by superficial spellbinders or unscrupulous demagogues. That such a lapse is less likely to lead to disaster when the popular will is slowly transmitted, through those whom Beck calls "true and tried representatives," acting in responsible independence, than when by the opposite system it is applied instantly and directly, would seem a proposition to which Abraham Lincoln could hardly refuse his assent.

But what does it matter? Suppose it admitted that the true representative principle is sound and should prevail: what faintest chance has it of general acceptance?

I hear the barren, immemorial query, and I reply: It has indeed no chance whatsoever at the present moment. Its acceptance must await a new birth of political wisdom. Meanwhile, however, to hasten this new birth, there are things which all who desire it can do. They can make sure that they have themselves mastered the great issues involved and then seize every opportunity to share with others their insight and their knowledge.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

SURPLUS TRAIN RIDES



or — TRAVEL IN THE AGE OF PLENTY

It was a sunny afternoon
At story-telling time.
Old Kaspar settled in his chair
And poured a rum-and-lime,
While Peterkin and Wilhelmine
Looked at the futurama screen.

They saw a long and winding stretch
Of rusty railroad tracks,
And multitudes who trudged along
With baggage on their backs;
While others turned aside to eat
Or rest with elevated feet.

"Why don't those people drive their cars?"
Asked little Peterkin.
"Because they're in a hurry, Pete,"
Said Kaspar with a grin.
"The traffic jams have grown so thick
That walking now is twice as quick."

"Why aren't there trains for people now?"
Asked little Wilhelmine.
"The railroads have them," Kaspar said,
"But now they're seldom seen.
The idle coaches gather rust
While people walk in mud or dust."

"There was a time," Old Kaspar sighed,
"When railway fares were cheap,
Before the unions came of age
And taxes took a leap;
But now a ride is priced too high
For ordinary folks to buy."

"How will it end," asked Peterkin,
"Will everybody walk?"
"Why, as to that," Old Kaspar said,
"Already there is talk
Of handing out a Subsidy
To railroads hauling people free."

H. P. B. JENKINS
Economist at Fayetteville, Arkansas

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

POLITICAL ACTIVITY and POLITICAL EXPENDITURES

SYLVESTER PETRO

A study of the consequences of trying to overcome the error of government intervention with further intervention.

WITH THEIR EMERGENCE as organizations commanding the greatest power over the economy in the history of the United States, the large trade unions have emerged also as powerful political organizations, perhaps the most active such organizations in the country today.

Their political activities first became a subject of deep concern after World War II, and this concern was reflected by Congress in 1947, when in framing the Taft-Hartley Act it included a section broadly prohibiting contributions and expenditures in connection with federal elections by both labor organizations and corporations. This legislation has had an unhappy career, with no successful prosecutions to date, and with the grave doubts held from the beginning concerning its constitutionality still unresolved. Now, as the McClellan Committee has demonstrated, after twelve years of the Taft-Hartley Act both the economic and the political power and activity of the large unions have increased dramatically, and the grounds for apprehension which existed in 1947 have been magnified accordingly.

The Taft-Hartley Act accepted the special privileges and the ensuing power which prior legislation had accorded labor organizations. It sought to avoid the political consequences of those privileges and power by the direct method of prohibition of political expenditures. History has shown that this was a mistaken approach. Common sense suggests that a new approach is called for today.

Professor Petro of the New York University School of Law is the author of *The Labor Policy of the Free Society* (Ronald Press, 1957) and *Power Unlimited: The Corruption of Union Leadership* (Ronald Press, 1959).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

I. Experience under the Present Legislation

The legislation presently in force was enacted in 1947 as Section 304 of the Taft-Hartley Act, in response to the fears felt in Congress and the nation that the heightened political activity of labor unions during and after World War II possessed a grave potential of harm. As a result, to the then existing prohibition of political contributions by unions and corporations Congress added a prohibition of any "expenditures in connection with" elections to federal office, primary elections, and conventions or caucuses to select candidates for federal office.

The breadth and generality of the new prohibition created many difficulties even before it became law, and its career in the courts has been unfortunate. Senator Robert A. Taft was compelled upon several occasions during the Senate debates to hedge his answers concerning the reach of the section. In some instances he declared that an answer to the hypothetical questions posed by opponents of the bill could not be given.[1]

The few prosecutions which have been brought under Section 304 in the last twelve years have produced some interesting, and confusing, decisions and opinions. The first prosecution was deliberately invited when Mr. Philip Murray, then president of the CIO, wrote an editorial favoring the election of one of the candidates for a congressional seat in Maryland, and caused this editorial to be printed and circulated in the *C.I.O. News*. Presumably in order to insure violation of Section 304 and thus to provoke a decision on the constitutionality of the section, Mr. Murray had 1,000 extra copies of the union journal printed and distributed at the expense of the CIO. Federal Judge Moore, sitting in the U.S. District Court for the District of Columbia, held that the printing and distribution of the editorial obviously involved an "expenditure in connection with" a federal election and therefore violated Section 304.

The constitutional issue having been raised, Judge Moore then had to decide it. He held that Section 304 violated the First Amendment as a clear infringement of the rights of freedom of speech, of the press, and of association – and dismissed the indictment. On appeal, the Supreme Court affirmed the dismissal, but not on constitutional grounds. It ruled, instead, that the printing and distribution

[1]See 2 *Legislative History of the Labor Management Relations Act*, 1947, at pp. 1526-35, 1546-50, 1601-4; large excerpts from the debates are quoted in the majority and dissenting opinions in *U.S. v. C.I.O.*, 335 U.S. 106.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of Mr. Murray's editorial did not constitute an expenditure in violation of Section 304. After detailed examination of the wording of the statute and its legislative history, Mr. Justice Reed concluded for a majority of the Court that it was not designed to reach political endorsements in regularly issued union media of communication with the membership. (Somehow the 1,000 extra copies were disregarded.)

In a dissenting opinion, Mr. Justice Rutledge (and Justices Black, Douglas, and Murphy with him) accused the majority of "rewriting" and "emasculating" the statute in order to avoid the constitutional issue. The dissenters would hold the statute unconstitutional, however, even as applied by the majority, that is, restricted to election expenditures not in the normal and regular course of a union's communication with its membership.[2]

At about the same time, Federal Judge Hincks, sitting in Connecticut, issued one of the most instructive opinions yet handed down concerning the meaning and the constitutionality of Section 304. He held that the statute prohibited paid political advertisements in newspapers and on radio when they advocated the defeat of certain delegates to a national political convention. The case, involving a Painters Union local which had no regular means of communication with its members, was distinguishable from the *C.I.O. News* case in that the expenditure was not in connection with a regularly issued union journal and in that the paid promotions were not confined to the union membership, but reached the general public.

By this decision, Judge Hincks was called upon to decide the constitutional issue. The statute did to some degree infringe upon First Amendment rights, the judge recognized; yet, he observed, it by no means canceled those rights, but rather left considerable leeway for political activity by unions in the form of lobbying, discussion of issues, and so on. On the other hand, he noted, Congress has a heavy responsibility to protect the political process in the interest of the vast mass of the general and unorganized electorate, as against powerful pressure groups avidly seeking their own interests. Taking into consideration the fact that trade unions have been the beneficiary of substantial special privileges and immunities as a gift from Congress, Judge Hincks observed, a reasonable basis existed for some restriction on their First Amendment rights, and thus, he concluded, Congress's method of

[2] *U.S.* v. *C.I.O.*, 335 U.S. 106 (1948).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

exercising its duty and power to regulate the election process did not violate the Constitution.[3]

On appeal, the Second Circuit reversed Judge Hincks, just as the Supreme Court had reversed Judge Moore in the *C.I.O. News* case – not on the constitutional question, but on the question of whether the paid advertisements involved an "expenditure in connection with" a federal election. Thus, the natural reach of the statute's language was further circumscribed. Speaking for the Second Circuit, Judge Augustus Hand declared that "an interpretation . . . which would allow expenditures in the case of a union publication and prohibit them when made by a union through the use of an independent newspaper or radio station seems without logical justification."[4]

A majority of the Supreme Court, in the most recent decision involving Section 304 which that Court has handed down, disagreed with Judge Hand's logic. It held that the section *does* prohibit an expenditure of general union funds for a telecast advocating the election of certain congressional candidates. The case came to the Supreme Court prior to a trial of the facts, the district judge having dismissed the indictment before trial as failing to allege a violation of the statute. While holding that the indictment would, if proved, establish a violation of Section 304, the majority, in an opinion written by Justice Frankfurter, refused to pass on the constitutional issue. As Justice Frankfurter put it, the Court gets into most of its trouble by passing prematurely upon constitutional issues, and it would be time enough to pass on that issue when a trial actually established the facts alleged in the indictment. He went on to say that the trial would have to establish, before a violation could actually be found, (a) that the telecast was financed from general membership funds; (b) that it reached the general public; (c) that it involved actual electioneering rather than a mere statement of fact or issues; and (d) that it had been sponsored "with the intent to affect the results of the election."[5]

Justice Douglas, joined by Chief Justice Warren and Justice Black, took the position that the dismissal of the indictment should have been affirmed. His desire, apparently, was to construe the statute out of existence; for otherwise, in his opinion, it would have to be

[3] *U.S.* v. *Painters Local No.* 481, 79 F. Supp. 516 (D.C. Conn. 1948).

[4] *U.S.* v. *Painters*, 172 Fed. 2d 854, (2d Cir. 1949).

[5] *U.S.* v. *Automobile Workers Union*, 352 U.S. (1957).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

held unconstitutional. According to Justice Douglas, Justice Frankfurter's insistence on the establishment of the four facts listed above could make no difference insofar as constitutional validity was concerned. Justice Douglas summarized his conclusions in these words: "The Act, as construed and applied, is a broadside assault on the freedom of political expression guaranteed by the First Amendment. It cannot possibly be saved by any of the facts conjured up by the Court. The answers to the questions reserved are quite irrelevant to the constitutional questions tendered under the First Amendment."

The last decision worth noting involved grass roots political activity on union time by three salaried union agents in behalf of the local union president, who was running for Congress. The three agents did such things as ring doorbells, urging registration, and transport voters to the polls. Dismissing the indictment, Federal Judge Duncan, sitting in Missouri, simply said that he did not believe Section 304 could be so far-reaching. If this case involved an illegal "expenditure," he said, "then any political activity of any person on the payroll of a labor organization, from its president to its janitor, would render that Union and its principal officers liable, if such persons devoted any appreciable time in support of, or in opposition to, any candidate [for federal office]."[6]

II. The Basic Issues

The decisions and opinions holding Section 304 unconstitutional have brought into sharp focus the fact that political activity is an essential part of the public life of any representative government and that legislative restriction of such activity will always run into considerable difficulty on constitutional grounds. The decisions which avoid the constitutional issue, and the single decision squarely upholding the constitutionality of the statute, have emphasized the weight of the duty which rests upon Congress to prevent abuse of the elective process, and the dangers to that process which large and powerful pressure groups pose.

The tension between these opposing considerations has produced two significant results. In the first place, the statute has had virtually no effect. It has been restrictively interpreted. Each of the cases reviewed has beyond much question literally involved a union "expenditure in connection with" an election to federal office, but in

[6] *U.S.* v. *Construction & General Laborers Local* 264, 101 F. Supp. 869 (D.C. Mo. 1951).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

not a single one has there been a conviction. Although unions are probably the most active political organizations in the country today, there has been only a handful of prosecutions under Section 304. Section 304 seems to be the statute which you cannot violate, no matter how hard you try.

In the second place, there has been an inordinate delay in resolving the constitutional issue, and this suggests that the Supreme Court is greatly disturbed on the question. Three of the present justices have already indicated that they will hold the statute unconstitutional unless it is construed into impotency. Not one of the justices has yet committed himself to the view that the statute is constitutional, even when interpreted as restrictively as it has been. The conclusion indicated is that the statute, or any other legislation seeking the same objective, will survive only in a highly restricted or in a completely impotent form. In either case there is no likelihood that it will serve to reduce significantly the dimensions of the problems posed by the prodigious political activities of the large unions.

III. Sound Principle as a Way out of the Dilemma

In the one opinion squarely upholding the constitutionality of Section 304, Judge Hincks acknowledged that Congress could have handled the problems posed by excessive union political activity in a manner other than the one it adopted in the Taft-Hartley Act. Congress could have met the problem "by a major curtailment of the economic power of labor organizations without at all trenching upon their freedoms." And if Congress had but withdrawn the special privileges and immunities which it had granted to unions, according to Judge Hincks, they would not have enough power to raise much of a problem. But, he went on to say:

"Congress deemed it preferable to make no major reduction in the economic power of labor organizations, believing, apparently, that their continued power in the economic field would be of public benefit and not necessarily a source of danger if not supplemented by unrestricted political power as well. . . . I hold the Act not invalid because of its incidental restriction on the political activities of aggregations which owe their strength to special privileges and immunities conferred upon them for their discharge of a public economic function."[7]

If the political activities of labor unions were properly a cause of

[7] *U.S.* v. *Painters Local* 481, 79 F. Supp. 516.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

concern in 1947, when the Taft-Hartley Act was passed, it goes without saying that we must be close to a condition of crisis at present. The political power and activity of unions was substantial then; in comparison, it is colossal now. The Taft-Hartley restriction of political contributions and expenditures has obviously had no effect at all. What then is to be done?

The experience of the last twelve years indicates that Congress made a mistake in attempting to curtail the political power of unions while leaving their economic power, based on special privileges and immunities, alone. The mistake is not surprising when one realizes that Congress acted on an invalid premise. Judge Hincks pointed out that Congress continued the special privileges of unions on the theory that unions were virtually an arm of government, discharging a "public economic function." What the judge had in mind was the prevailing assumption that by raising wages through collective action unions were in effect public servants.

Economists and the public generally have come a long way since 1947. More and more persons in all walks of life are beginning to appreciate that far from serving a public function in their constant pressures for higher wages, unions are simply another special-interest group, selfishly concerned with increasing their share of the national income, regardless of the consequences to the public welfare. Outstanding economists of this country today are firmly of the conviction that the economic pressures of unions do not serve even the interests of all working men and women, let alone the general public interests of consumers, retired persons, and others on fixed incomes.[8]

This being true, and it also being true that the method of direct prohibition of political activity by unions has proved a failure, it would seem that the only promising alternative is for Congress to reconsider its assumptions concerning the role of unions and the decision it made in 1947. Elimination of the special privileges and immunities of unions is what the situation demands; with that will come a reduction in union power.

Under no circumstances should unions be burdened with restrictions which other private associations do not bear. To impose such restrictions is both undesirable and unnecessary. The principle of equal application of all laws is too important to the life of society to justify abandonment under almost

[8]See Philip D. Bradley (ed.), *The Public Stake in Union Power*, (Charlottesville: University of Virginia, 1959).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

any conceivable conditions. Certainly the current conditions, bad as they may be, do not call for an abandonment of that principle. As a matter of fact, our present troubles can be traced to the wholesale abandonment of that principle which has occurred in recent years.

Remove the Special Privileges

There is every reason to believe that the political and other dangers which the large unions pose will be substantially reduced if the special privileges of compulsion which they now possess are removed – and if the removal is designed in an effective way. Specifically, all stranger picketing and other boycotts, and all forms of compulsory-unionism contracts, should be prohibited; for they give unions a special privilege to restrain and coerce employees in the exercise of the basic right, recognized in federal and state law, not to join unions. But a mere paper prohibition will not be enough. The experience of the last twelve years, under the Taft-Hartley Act, demonstrates that direct access to all courts, especially for immediate injunctive relief from the irreparable injury of unlawful union action, will have to be provided, if the strictures upon union compulsion are to be effective. In order to accomplish this, it will be necessary to repeal the Norris-LaGuardia Act, abolish the National Labor Relations Board, and specifically overrule the Supreme Court's pre-emption doctrine.[9]

I am aware that there is an inclination to consider these proposals "radical." That is simply an error in understanding and in perspective. It should be remembered that we are faced with a seriously threatening condition. It should also be remembered that, in perspective, the proposals advanced here are neither as momentous nor as "radical" as the subjects to which they are addressed. The Norris-LaGuardia Act, the National Labor Relations Board, and the pre-emption doctrine were, when they were introduced not very long ago, not only "radical" but *revolutionary* innovations. They have worked very badly. We are suffering the consequences now.

The frank intention of these proposals is to create conditions in which unions will be in fact the voluntary associations which they now incorrectly claim to be. When they are voluntary associations, they should have the right, shared

[9]The Supreme Court has held in effect that the state courts may no longer take jurisdiction in labor cases involving interstate commerce, except in regard to violent action. (*Garner* v. *Teamsters*, 346 U.S. 485 (1953); *Anheuser-Busch, Inc.* v. *Weber*, 348 U.S. 593 (1955).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

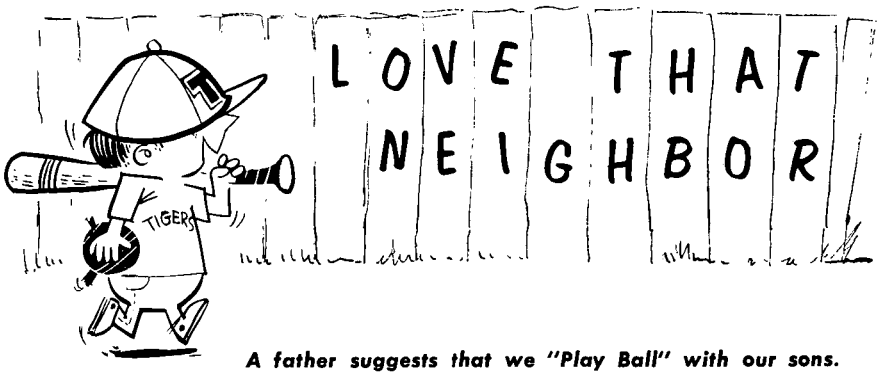
with all other voluntary associations, to run their internal affairs and to spend their money as they please, subject only to the general law prohibiting violence, coercion, fraud, and thievery. At present, unions are in a position to spend funds for political purposes and objectives opposed by some of the very members who contribute those funds. Worse than that, a man may be forced into a union by coercive organizing devices, kept there by a specially privileged compulsory-unionism agreement, and be forced to pay dues which are spent for purposes in which he has no interest and to which indeed he may be opposed.

The present situation is one largely created by Congress, and only Congress can repair it. Confused and contradictory efforts have brought Congress to a frustrating impasse. On the one hand, by according trade unions special privileges, Congress has allowed them to become an enormous threat to the economic, social, and political life of the nation. On the other, it has tried to remove the political threat, by legislation which threatens First Amendment rights and thus has had considerable trouble in the courts. Principles vital to the life of the nation are being mangled on both sides.

The only wholesome solution is to restore the principle of equality under the law by withdrawing the special privileges which unions now have, and to eschew all the restrictions which now exist upon political contributions and expenditures. Neither those special privileges nor the restrictions upon political expenditures have a proper place in a free country whose central political institution is representative government. Moreover, they create the kind of trouble which ensues always upon the abandonment of any sound principle. For one of the marks of a sound principle is that it works.

In conclusion, I should like to emphasize that I am as greatly disturbed by the present character and scope of political activity by unions as any man. Yet, I believe that direct controls are neither sound in principle nor workable. In precisely the same way that price controls and rationing are no sound answer to the problems of shortages and inflation, direct controls upon the political activity and expenditures of unions – or of any other groups – will not remove the causes of present concern. The history of the present legislation proves that. The approach I have suggested is, I believe, the only effective approach available. ◆

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



A father suggests that we "Play Ball" with our sons.

JOHN C. SPARKS

OUR SUBURBAN COMMUNITY near a prosperous American city consists primarily of families like ours with incomes substantially above the national average. Our three children enjoy the gay summer vacation away from school. One son spends a week at camp each summer, his older brother takes golf lessons and plays baseball, and our daughter takes swimming lessons – activities which cost money, as every parent should know.

Now, what would you think of me, their father, if I sent them from door to door among our neighbors seeking contributions sufficient to cover the expense of their summer entertainment? I think I know your answer – but let's further examine the question.

Customs and laws have gradually diluted what used to be recognized as a parent's responsibility for his offspring. There also was a time when our nation was relatively free of socialistic ideas, but not today, as new laws and proposals mark continuing socialistic inroads on our freedom. These two developments, I believe, are closely related.

Most examinations of the collectivist philosophy are concerned with political or governmental intervention in private activities, the governnment taking control and making decisions for men who formerly were self-responsible. Collectivism spawns the irresponsible "government-owes-me-a-living" idea. And I agree that the greatest and most immediate threat arises in this area of political and governmental intervention. But I submit that the same treacherous ideas are being sown among our youth through private activities normally considered

Mr. Sparks is a businessman from Canton, Ohio.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

breeding grounds for nothing but good American ideals. These ideas are fostered by well-meaning parents who thoughtlessly accept "something-for-nothing" as a substitute for their own parental responsibilities, the result being a new generation without a sense of individual responsibility for their own welfare – easy prey for the collectivist philosophy.

I'm thinking of the way boys' baseball is handled in our community. An association has been organized with teams of the familiar classifications – Little League, Mity Mite, Babe Ruth, Hot Stove, and so forth. Financing such an enterprise is a problem, particularly if there is no reliance on parental responsibility. It is most discouraging to witness a meeting of 50 or 60 fathers trying to figure out how to persuade *others than themselves* to finance these baseball teams made up of *their own sons. Each father pay* what it costs for his own son to play! What a shocking idea!

If my son needs clothing, it is my responsibility to provide it. When my son needs food, it is my responsibility to provide such food for him. Only in those unusual and dire circumstances when I am unable to provide necessities should charity enter the picture. If my son wishes to bowl, I pay for his bowling, or he earns the money himself for this pastime. If he wishes to attend a church camp or a YMCA camp for one or two weeks in the summer, I am required to pay the fee for such attendance. Why should summer baseball recreation be viewed in any different light? Why should my neighbor – or, as it usually works out, 15 or 20 of my neighbors who have no children on the team – be pressured either directly or indirectly to provide this summer baseball recreation for my son by sending him from door to door attired in a baseball uniform? We call this system the "Booster Club Membership" ticket sale. The buyer of the ticket has received nothing in exchange except whatever civic joy he may derive from knowing he has just been pressured into giving a donation to the son of his financially capable neighbor.

It is here that we are projecting the evil of the socialistic philosophy into an area which, while technically on a voluntary basis, is taking on many of the despicable characteristics of socialism. If I ask my neighbor to provide for my son's summer pastime, doesn't he have a corresponding right to ask me to help pay for his vacation trip? Isn't he justified in asking me to contribute to the expense of summer camp or singing lessons for his daughter?

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

What does this system do to the boys themselves? These boys, particularly in the older age groups, feel they are somehow owed a right to play baseball on a team without expense to themselves or to their families. This often produces an attitude that is insincere and tends to cause wasteful use of the materials and uniforms supplied. Wouldn't a boy be more appreciative knowing that his parents, rather than some faceless community association, footed the bill for him? His attitude might be better still if he had to work and earn his own money to pay for his participation on the baseball team. As it is now, how can we expect anything but youth ripened for socialism?

I realize there are certain community projects of great merit supplying recreational activities and other assistance to children who would not otherwise be able to participate in such activities due to financial difficulties of their parents. There even may be a scattered few in my particular area. In these instances, a modest fund could be established to which many of us would happily subscribe. A few may warrant charitable consideration.

It seems important that civic-minded people in voluntary community activities take a good look at their policies lest the disastrous idea that "somebody else owes me something" become the widely accepted custom. This could become a cancerous disease, the next step being passage of a law providing for a tax or levy on the whole community to pay for my son's baseball playing. If you think not, you should have been at the meeting. Someone suggested it. ◆

IDEAS ON LIBERTY

Prophetic

THE DEMANDS of some citizens for installation of watering troughs for horses on Lansing's streets are a shocking indication that there are no lengths to which people will not go in seeking government services.

This great land of ours was not founded by people who expected a Welfare State to solve all their problems, even to the extent of demanding that facilities for quenching the thirst of horses be provided at the public expense.

The attitude exemplified by those who are making these unreasonable current demands upon this city's newly-formed government raise the spectre of even more fantastic demands upon government in the years ahead.

Who knows what will happen if our city officials take this step down the road to socialism?

From an editorial in a Lansing, Michigan, newspaper of 1858.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ECONOMICS *for* THE TEACHABLE

• *The socialistic or governmentally planned system pre-supposes bureaucrats competent to control human action, whereas the market economy requires no supermen – just ordinary people freely exchanging their goods and services as they choose.*

LEONARD E. READ

THE TEACHABLE – those who aspire to an ever greater understanding – are those with an awareness of how little they know.[1] Lest teachableness and lowliness or inferiority be associated, consider the case for teachableness and wisdom as having a relationship:

Said Socrates, "This man thinks he knows something when he does not, whereas I, as I do not know anything, do not think I do, either." For such acknowledgments of fallibility, Socrates was acclaimed a wise man. He and many others – for instance, Lecomte du Nouy and Robert Milliken, scientists of our time – discovered, as they expanded their own consciousness, that they progressively exposed themselves to more and more of the unknown. Edison's fact-packed, inquiring, ever-curious mind concluded that, "We don't know a millionth of one per cent about anything. We are just emerging from the chimpanzee state." These teachable persons came to realize how little they knew and that, perhaps, is a measure of wisdom.

For the student of economics, this poses an interesting question: Is it possible to have a workable, productive economy premised on a society of teachable individuals, those who are aware that they know very little?

We can assume that such an economy would differ markedly from the planned society of egotists or know-it-alls, those at the

[1] *The teachable shall inherit the earth* appears to be a sensible interpretation of the Biblical pronouncement, "The meek shall inherit the earth." It is quite obvious that "the meek" had no reference to the Mr. Milquetoasts in society.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

other end of the intellectual spectrum, the ones who see no difficulties at all in arranging the lives of everyone else in accord with their designs. Further, they are quite willing to resort to the police force to implement their schemes for improving society by nationalizing it.

A group of seven economists, for example, recently voiced this view: "The federal government is our only instrument for guiding the economic destiny of the country."[2]

Some of the Problems

Government, in such a role, must be staffed largely with those who are unaware of how little they know, who have no qualms about their ability to plan and regulate the national economic growth, set wages, prescribe hours of work, write the price tags for everything, decide how much of what shall be produced or grown, expand or contract the money supply arbitrarily, set interest rates and rents, subsidize with other peoples' earnings whatever activity strikes their fancy, lend billions in money not voluntarily entrusted to them, allocate the fruits of the labor of all to foreign governments of their choice – in short, decide what shall be taken from each Peter and how much of the "take" shall be paid to each Paul.

Government control and ownership of the means of production is socialism, sometimes called "state interventionism" or "communism," depending on the degree of disparagement intended. It rests on the premise that certain persons possess the intelligence to understand and guide all human action. Socialism or state interventionism is advocated by those who sense no lack of this prescience in themselves, by the naive followers of such claimants, by the seekers of power over others, by those who foresee an advantage to themselves in such manipulations, and by the "do-gooders" who fail to distinguish between police grants-in-aid and the Judeo-Christian principles of charity. All in all, they are a considerable number, but still a minority of the tens of millions whose lives they would regulate.

The most important point to bear in mind is that socialism presupposes that government or officialdom is the endower, dispenser, and the source of men's rights, as well as the guide, controller, and director of their energies. This is the Supremacy of Egotism: The State is God; we are the State!

Let us then examine the competency of a typical egotist. It matters not whom you choose – a

[2]See *First National City Bank Letter* for August 1959. p. 90.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

professor, a professional politician, a Napoleon, a Hitler, a Stalin – but the more pretentious the better.[3] Simply admit some supreme egotist into your mind's eye and take stock of him. Study his private life. You will usually discover that his wife, his children, his neighbors, those in his hire, fail to respond to his dictates in ways he thinks proper.[4] This is to say, the egotist is frequently a failure in the very situations nearest and best known to him. Incongruously, he then concludes that he is called to manage whole societies – or even the world! Fie on anything small enough to occupy an ordinary man!

The Planner's Incompetence

Let's further test the knowledge of the egotist. He wants to plan production; what does he know about it? For example, there is a company in the U.S.A. which manufactures well over 200,000 separate items. No one person in the company knows what these items are and there is no individual on the face of the earth who has the skills, by himself, to make any one of them.[5] It's a safe bet that the egotist under examination has never been closer to this company than a textbook description by some fellow egotists. Yet, he would put this intricate, voluntary mechanism under the rigid control of government and would have no hesitancy at all in accepting the post of Chief Administrator. He would then arbitrarily allocate and price all raw materials and manpower and, after long and complicated statistics of the past, arbitrarily allocate and price the more than 200,000 items, most of which he never knew existed. Involved in the operations of this company alone – a mere fraction of the American economy – are incalculable human energy exchanges, many billions of them annually; but the egotist would manage these with a few "big man" gestures! Such cursory attention he would find necessary for, bear in mind, he also would have under his control the lives, livelihoods, and activities of the 176,750,000 individuals not directly associated with this company.

Next, what does the egotist know about exchange? In a specialized or division-of-labor econ-

[3] "A high-brow is a low-brow plus pretentiousness," said H. G. Wells.

[4] Napoleon's domestic affairs were a mess and his numerous family drove him to distraction; Hitler was an indifferent paper hanger; Stalin tried first theology and then train robbery before he elected bureaucracy and dictatorship; many bureaucrats charged with great affairs have no record of personal success.

[5] See my "I, Pencil" for a demonstration that no one person knows how to make an item even as simple as a wooden lead pencil. Copy on request.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

omy like ours, exchange cannot be carried on by primitive barter. It is accomplished by countless interchanges interacting on one another with the aid of a generally accepted medium of exchange or money. The socialistic philosophy of the egotists presupposes that there are persons competent to regulate and control the volume and value of money and credit. Yet, surely no one person or committee is any more competent to manipulate the supply of money and credit to attain a definite end than he or a committee is able to make an automobile or a wooden lead pencil!

An economy founded on the premise of know-it-allness is patently absurd.

But, can there be a sensible, rational economy founded on the premise of know-next-to-nothingness? An economy that would run rings around socialism? In short, is there a highly productive way of life which presupposes no human prescience, no infallibility, nothing beyond an awareness that it is not the role of man to pattern others in his own image? *There is such a way!*

The Creator as Sovereign

Contrary to socialism, this way of life for teachable people, who concede their fallibility, denies that government, staffed by fallible people, is the source of men's rights. It holds, instead, that men "are endowed by their Creator with certain unalienable rights, that among these are Life, Liberty, and the pursuit of Happiness. That to secure these rights, governments are instituted among men. . . ." With this as a premise, sovereignty – the source of rights – rests with the Creator; government is but a man-made means to protect this arrangement between man and his Creator. When Creativity is assumed to exist over and beyond the conscious mind of man, a whole new concept of man's relationship to man emerges. Man, once he conceives of himself in this setting, knows that he is not knowledgeable but, at best, is only teachable. The greatest conscious fact of his life is his awareness of the Unknown.

To illustrate, let us observe how such a person "builds" his own house. He does not think of himself as actually having built it. No man living could do that. He thinks of himself as having done only an assembly job. He is aware of numerous preconditions, two of which are:

1. The provision of his materials. Others cut trees, sawed them into boards which were kiln dried, planed, grooved, held in waiting, delivered. Some mined ore, assembled blast furnaces from which

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

came the metals for saws, planes, pipes, tubs, nails, hardware. There were those who assembled the machinery to mine the ore and those who assembled the machine tools to make the machinery. There were those who saved the fruits of their labor and loaned or invested it that there might be these tools. There were the growers of flax and soybeans, the extractors of their oils, chemists, paint makers. Others wrote books about mixing concrete, architecture, engineering, construction. There were publishers, typesetters— how does one make a linotype machine? — on and on, creative energies and energy exchanges through time and space, ad infinitum!

2. A reasonable absence of destructive energies. No thieves stole his supplies. Those who supplied him had not defrauded him nor had they misrepresented their wares. Violence, like coercively keeping men from working where they chose (strikes) or like coercively keeping men from freely exchanging the products of their labor (protectionism) had not succeeded in denying these services to him. In short, interferences with creative efforts and exchanges had not reached the point where a house was impossible.

The man who knows how little he knows is aware that creative energies, and creative energy exchanges, work miracles if unhampered. The evidence is all about him. There is his automobile, the coffee he drinks, the meat he eats, the clothes he wears, the symphony he hears, the books he reads, the painting he sees, the perfume he smells, the velvet he touches and, above all, the insights or inspiration or ideas that come to him — from where he does not know.

Respect for the Unknown

The teachable person looks with awe upon all creation.[6] He agrees that "only God can make a tree." And he also understands that, in the final analysis, only God can build a house. Nature, Creation, God — use your own term — if not interfered with, will combine atoms into molecules which when configurated in one manner will form a tree, in another manner a blade of grass, in still another manner a rose — mysteries upon mysteries! And, there are demon-

[6] "If I may coin a new English word to translate a much nicer old Greek word, 'wanting-to-know-it-ness' was their characteristic; wonder . . . was the mother of their philosophy." *The Challenge of the Greek* by T. R. Glover. New York: The Macmillan Company, 1942. pp. 6-7.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

strations all around him that the creative energies of men, when not interfered with, do, through space and time, configurate, in response to human necessity and aspiration, to form houses, symphonies, foods, clothes, airplanes – things in endless profusion.

The teachable person is likely to be aware of some wonderful cosmic force at work – a drawing, attracting, magnetic power – attending to perpetual creation. He may well conceive of himself as an agent through whom this power has the potentiality of flowing and, to the extent this occurs, to that degree does he have an opportunity to share in the processes of creation. As agent, his psychological problem is to rid himself of his own inhibitory influences – fear, superstition, anger, and the like – in order that this power may freely flow. He knows that he cannot dictate to it, direct it, or even get results by commanding, "Now I shall be inspired" or "Now I shall create a symphony" or "Now I shall discover a cure for the common cold" or "Now I shall invent a way of impressing upon others how little they know." He is quite certain he must not thwart this power as it pertains to his own personal being.

Society-wise, the teachable human being, the one who conceives of himself as agent through whom this mysterious, creative power has the potentiality of flowing, concedes that what applies to him must, perforce, apply to other human beings; that this same power has the potentiality of flowing through them; that his existence, his livelihood, his own opportunity to serve as an agency of that power, *depends* on how well these others fare creatively. He realizes that he can no more dictate its flow in others than in himself. He knows only that he must not thwart it in others and that it is to his interest and theirs, and to the interest of all society, that there be no thwarting of this force in others by anyone. Leave this power alone and let it work its miracles!

Thwarting Creative Action

Creative action cannot be induced by any form of authoritarianism, be the commands directed at oneself or at others. However, any idiot can thwart these actions in himself or in others, precisely as he can thwart the forces of creation from manifesting themselves as a tree. He can prevent a tree from being, but he can't make it be. Coercive force can only inhibit, restrain, penalize, destroy. It cannot create!

The teachable individual imposes no inhibitions, restraints, or penalties on creative actions. He

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

leaves them free to pursue their miraculous courses.

The man who knows how little he knows would like to see the removal of all destructive obstacles to the flow of creative energy and energy exchanges. But, even this, he doesn't quite know how to accomplish. He would rely mostly on an improved understanding of the Golden Rule, the Ten Commandments, and other consistent ethical and moral principles. He hopes that more and more persons eventually will see that even their own self-interest is never served by impairing the creative actions of others, or living off them as parasites.

Government's Limited Role

In summary, then, the teachable person is content to leave creative energies and their exchanges untouched; and he would rely primarily on ethical precepts and practices to keep these energy circuits free of destructive invasion. The governmental apparatus would merely assist these precepts and practices by defending the life and property of all citizens equally; by protecting all willing exchange and restraining all unwilling exchange; by suppressing and penalizing all fraud, all misrepresentation, all violence, all predatory practices; by invoking a common justice under written law; and by keeping the records incidental thereto.

Very well. So far, in theory, creative energies or actions and their exchanges are left unhampered. Destructive actions are self-disciplined or, if not, are restrained by the societal agency of law and defensive force. Is that all? Does not the person who is aware of how little he knows have to know a lot of economics?

Why Pay for Things

The man, mentioned previously, who "built" his own house, has about as much economic understanding as is necessary. He reflects on all the countless antecedent services which he assembled into a finished home. Originally, all of these items came from Nature. They were there when the Indians foraged this same territory. There was no price on them in their raw state – they were for free, so to speak. Yet, he paid – let us say – $10,000 for them.

What was the payment for? Well, when we slice through all the economic terms, he paid for the human action that necessarily had to be applied to things of the good earth. He paid for actions and energies which he himself did not possess, or possessing, did not choose to exert. Were he limited to his own energies to bring about the services antecedent to his as-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sembly of them, he could not have built such a home in a thousand lifetimes.

These human actions for which he paid took several forms. Generalizing, his $10,000 covered salaries and wages that had been paid for judgment, foresight, skill, initiative, enterprise, research, management, invention, physical exertion, chance discovery, know-how; interest that had been paid for self-denial or waiting; dividends that had been paid for risking; rent that had been paid for locational advantage – in short, all of the $10,000 covered payments for one or another form of human action. Literally millions of individuals had a hand in the process.

Let the Market Decide

The major economic problem – the root of economic hassles – reduced to its simplest terms, revolves around the question of who is going to get how much of that $10,000. How is economic justice to be determined? What part shall go to the grower of soybeans, to the investor in a saw mill, to the man who tends the machine that pours nails into wooden kegs, to the inventor of the machine, to the owner of a paint plant? *Who shall determine the answers?*

How much economics does one have to know to settle, in one's own mind, how and by whom economic justice shall be rendered? He has to know only this: *Let the payment for each individual's contribution be determined by what others will offer in willing exchange.* That's all there is to an economy for those who know they know not. It is that simple.[7]

The concept underlying such an economy – never formalized until the year 1870 – is known as the marginal utility theory of value. It also goes by two other names: "the subjective theory of value" and "the free market theory of value." Testimony to its simplicity was given by Eugen von Böhm-Bawerk, one of its greatest theoreticians:

> And so the intellectual labor that people have to perform in estimating subjective value is not so astounding as may appear . . . incidentally, even if it were a considerably greater task than it actually is, one could still confidently entrust it to "John Doe and Richard Roe." . . . For centuries, long before science set up the doctrine of marginal utility, the common man was accustomed to seek

[7]There are some who will contend that one must understand money, the medium of exchange. This, also, is an impossible requirement. For extended comments on this point of view, see my *Government: An Ideal Concept.* Irvington-on-Hudson, N. Y.: Foundation for Economic Education, Inc., 1954. pp. 80-91.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

things and abandon things . . . he practiced the doctrine of marginal utility before economic theory discovered it.[8]

The labor theory of value held scholarly sway prior to this free market theory. It contended that value was determined by the amount of effort expended or fatigue incurred. For example, some persons make mud pies, others mince pies. The same effort, let us assume, is expended in the preparation of each. Under the labor theory of value the mud pie makers should receive the same return for their efforts as the mince pie makers. The only way to accomplish this – consumers being unwilling to exchange the fruits of their labor for mud pies – is for the government to subsidize the mud pie makers by taking from the mince pie makers. Karl Marx elaborated upon and helped systematize this theory – governments taking from the productive and subsidizing the less productive.

The labor theory of value, proved over and over again to be the enemy of both justice and sound economics, nonetheless, continues to gain in popular acceptance. Emotional reactions to effort expended and fatigue incurred do not readily give way to reason. Sentimental thoughts, such as "the poor, hard-working farmers," set the political stage for agricultural subsidies. Similarly, sympathies which emanate from such outmoded and erroneous reflections as "the down-trodden laboring man" condition most people to accept the coercive powers allowed labor unions.

Practice of the labor theory of value is rationalized by spenders, inflationists, Keynesians, egotists, on the ground that it puts purchasing power in the hands of those who will spend it. As set forth earlier, this man-concocted system of forcibly controlling creative human action – interventionism, socialism, communism – presupposes all-knowing bureaucrats but, to date, not a single one has been found, not even a reasonable facsimile.

The free market, on the other hand, is for the teachable, who know their own limitations, who feel no compulsions to play God, and who put their faith in voluntary, willing exchange – a manner of human relationships that miraculously works economic wonders for all without requiring infallibility of anyone.

[8]From pages 203-4, Vol. II, *Capital and Interest* by Eugen von Böhm-Bawerk. The Libertarian Press, South Holland, Ill. This volume may be the best treatise on the marginal utility theory of value extant. The 3-volume set, $25.00. Available through the Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A SHORT HISTORY of

BERNARD IDDINGS BELL

IT IS UNDENIABLE that political history is largely a record of brigandage in state after state, brigandage by a few who have been entrenched in power over the masses, brigandage maintained until revolution has dislodged the brigands. The revolutions have resulted in the installation of new groups, new classes in the places of authority, and then of the corruption of these new groups by cupidity and conceit. Out of revolution has come new oppression, which in its turn has had to be overthrown. There is no dodging the fact that the stronger the State has been and the more manifold its controls over industry, commerce, agriculture, transportation, the more sure and speedy has been the reduction of the many to a servile condition, their enslavement by an oligarchy responsible to the holders of special privilege. Nor can anyone doubt that, as H. L. Mencken has said, in every modern land:

> *The State has taken on a vast mass of new duties and responsibilities; it has to spread out its powers until they penetrate to every act of the citizen, however secret; it has begun to throw around its operations the high dignity and impeccability of a religion; its agents become a separate and superior caste, with authority to bind and loose, and their thumbs in every pot.*

It is hard, in short, to avoid the following convictions: that the whole world is today suffering from statecraft prostituted to carry on ignoble and unjust class exploitations; that our own country is no exception to this; that all round the world the puffing up of government to unprecedented power is sure to result sooner or later in an honest-to-goodness explosion, a revolution nihilistic and anarchic beside which our present social disturbances, waged between various groups of would-be exploiters each entrenched in its imperialistic or nationalistic setup, will seem like a game of tin soldiers. ◆

From *Crisis in Education*. New York: McGraw-Hill, 1949.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

European Socialism in ECLIPSE

WILLIAM HENRY CHAMBERLIN

I BROUGHT BACK two predominant impressions from a recent trip of fifteen weeks to eight countries of Western Europe: Great Britain, France, Germany, Italy, Belgium, the Netherlands, Switzerland, and Austria. The first was of self-sufficient well-being, reflected in full shop windows, cities and roads jammed to capacity with automobiles, resort centers crowded, and figures of GNP (Gross National Product), industrial output, exports, and accumulated gold and currency reserves all zooming to new heights. The second was that socialism as a political and intellectual force in Europe has gone into a deep eclipse.

Indeed these two impressions are closely interrelated. As people become more prosperous, they lose interest in socialist dogmas. And as they discard or at least abate such socialist practices as rationing, rent control, allocation of materials, state controls over foreign trade, and extension of nationalization, they automatically become more prosperous. Indeed, it is remarkable how the simple truths of classical economics, if given a chance to work, prove their validity in practice. Belgium, for instance, is the one country in Western Europe that has thoroughly scrapped rent control. It is also the only one where getting an apartment is not a major problem.

The British Conservatives, who came into power by a narrow majority in 1951 and have increased that majority in the elections of 1955 and 1959, were inclined to tread warily because of the formidable Labor Socialist opposition. It was with considerable heart-searching and misgiving that they first scrapped meat rationing and later carried out a limited decontrol of rents. But neither of these measures led to the dire consequences which

Mr. Chamberlin is the author of numerous books, lecturer, and a contributor to *The Wall Street Journal* and many nationally known magazines.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lovers of state regulation foresaw. Meat prices did not go into the stratosphere. One does not see in London evicted tenants sleeping in the streets or in the parks. On the contrary, the British people today enjoy the widest range of food and consumer goods since the end of the war. And private building of apartments, stimulated by the partial rent decontrol, has picked up enormously and helped to alleviate the housing shortage.

On the other hand, Italy—where there is a vast amount of state intervention even though the ruling Christian Democratic Party is opposed to socialism in theory – is still close to the bottom of the European heap in poverty. One should not draw sweeping conclusions from this. Italy labors under a number of disadvantages: a too prolific population, a late start in industrialization, a tradition of conspicuous misgovernment in the southern part of the peninsula and in Sicily. But it can reasonably be noted that little good has come of the government oil monopoly (ENI) and the government control of considerable segments of the economy through IRI (the Institute for the Reconstruction of Industry, which took over faltering industries in the time of the world depression of 1929-33 and has hung on to most of them). More encouraging are Italian moves in the direction of relaxing controls on foreign imports and encouraging an inflow of foreign capital.

The eclipse of European socialism can best be measured by taking a backward look – to Western Europe as it was immediately after the end of the war. Britain had rejected its war hero, Winston Churchill, as a political leader and swept the Labor Party into power with a big parliamentary majority. And it has been said that in Britain, where there is no written constitution, Parliament can do everything except change a man into a woman. The sky seemed to be the limit on schemes of social and economic reorganization along Marxist lines.

In France and Italy at that time, communists as well as socialists sat in coalition governments; this was also true as regards Belgium, although for a shorter time. In occupied Germany, American military government officials, naively misguided or worse, were forcing communists on German newspapers and radio stations.

Away from Socialism

The political changes which one finds in Europe now are profound. The communists have long been cast into political oblivion. And, although they still rally the votes of a good many of the miscellane-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ous discontented in France and Italy, there is no more reasonable fear of a communist *coup*, or even of a first-rate communist riot.

The socialists are also at a low ebb. Three times running, in the two most industrialized countries of Europe, England and Germany, a socialist party and a moderate or conservative party have been the principal contenders in national elections. The result in the two countries was the same. The conservatives won three straight and, what is perhaps still more significant and unusual, they increased their majority each time. The membership of the French Socialist Party has declined from 350,000 to 50,000 and the diminished socialist ranks are riddled with factional feuds. In Belgium and the Netherlands, socialists are now out of the coalition governments which normally rule these countries.

Only in Scandinavia, where a mild brand of socialism has become a habit, and in Austria, where a permanent coalition of the evenly balanced moderate People's Party and the Austrian Socialists has existed ever since the end of the war, do socialists have any direct influence on administration.

Europe's economic orchestra is now in tune. In all the larger countries, the men who make the vital economic decisions are in agreement on such points as the desirability of currency convertibility and free movement of men, goods, and capital across frontiers and in rejecting direct measures of state economic intervention in times of economic stress in favor of indirect measures, such as raising interest rates. It is fortunate that this is the case. For differences between the "Inner Six" (the close-knit European Economic Community of France, Germany, Italy, Belgium, the Netherlands, and Luxembourg) and the "Outer Seven" (the looser Free Trade bloc of Great Britain, the Scandinavian countries, Austria, Switzerland, and Portugal) are much less significant than the economic differences that would arise in a Europe split between nonsocialist and socialist governments.

Conservative Gains in Britain

I was in England during the last national election campaign and in Germany in 1957, while Chancellor Adenauer was building up to his third successive victory at the polls. Various factors, some national, some international in scope, have contributed to the political downfall of European socialism.

Prime Minister Macmillan in Great Britain proved himself a consummate political leader. He

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

called the election, as the Prime Minister in office has a right to do under the British system, when all the auguries were most favorable. He spiked the guns of the Labor opposition by going to Moscow early in the year and starting a process of high-level negotiation which, whether wise or unwise, is unmistakably popular in Great Britain. He neatly exploited Eisenhower's visit to Britain early in September and the opportunity presented by a joint television appearance of American President and British Prime Minister.

But the overriding element in the Conservative victory was the relative ease of British living conditions after eight years of Conservative administration, compared with the bleak austerity from 1945 to 1951 when the Labor Party, officially committed to a socialist philosophy, was in power. In fairness, it should be recognized that immediately after the war life would have been hard in Great Britain under any government. The economic wounds inflicted by the war could not have been healed overnight.

But what can reasonably be charged against the Laborites and what cost them a good many "marginal" votes at the polls is that, in line with their theories of state planning and assured "fair shares" (which always proved to be very small shares), they continued rationing and other controls far beyond the time when austerity and hardship were really unavoidable. The most impressive proof of this was when the "conquering" Britons in the military administration of Germany were living on meager unpalatable rations while the Germans around them, under Erhard's free market economy, could get as much food as they wanted. Another unhappy memory associated with Labor administration is of scores of little frustrations and inconveniences; without special permits it was a crime for a man to repair the leaky roof of his own house or to build a garage.

So Conservative election posters showing the more comfortable, less harassed life of the present time, with the admonition, "Don't let Labor spoil it," found a receptive audience. One of the issues of the campaign was pointed up, perhaps unconsciously, in an article which Labor's prospective Chancellor of the Exchequer (British equivalent of America's Secretary of the Treasury) contributed to the British radical weekly, *The New Statesman*. In a very frank exposition of the theory that the government, not the individual, has the first lien on the taxpayer's income, Mr. Wilson wrote:

"Recent budget debates have sharpened controversy and pro-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

vided what seems to be the acid test of distinction between the Tory and the Socialist. The Tory says that all income belongs to its recipient; that all state levies upon it are at best a regrettable necessity; that it is wrong to refer to a Chancellor's decisions as 'largesse,' 'tax hand-outs,' or to suggest that the Chancellor is in any way giving anything away; what he is doing is refraining from withholding so much. Our approach is different. We say that *all wealth is derived from the community;* that the budget is an instrument not for perpetuating the unequal distribution of income and wealth, but for correcting it. We say, therefore, that a Chancellor in the happy position of being able to reduce taxation must apply the welfare test – where can I do the most good, add most to the total happiness?" (Italics supplied.)

It is a safe guess that most Britons, like most other people, prefer the idea that "all income belongs to the recipient" to Mr. Wilson's conception that the business of a socialist Finance Minister is to share and redistribute wealth.

"No Experiments" in Germany

In Germany, as in England, proved prosperity under a system of comparative free enterprise was more attractive to the majority of the voters than socialist appeals to class envy and socialist promises. One of the most popular slogans of the winning party in Germany, the CDU (Christian Democratic Union), was *Keine Experimente,* "No Experiments." Germany's spectacular recovery from the ruin and desolation of the war began from the time when a stable currency and a free market economy were established, and there was no desire to tamper with either of these bases of prosperity.

Chancellor Adenauer's commanding personality and his success in winning the confidence and respect of the leaders of the countries with which Germany had recently been at war also contributed to the political downfall of the German Social Democrats. Still another factor was the vague, cloudy program of the Social Democrats in foreign affairs, which suggested the possibility that, if they should come into power, they would break or dangerously loosen political ties with the West without gaining any real prospect of German reunion in freedom.

Still another special national problem, the protracted guerrilla war in Algeria, made for the return to power in France of General Charles de Gaulle. A series of weak Cabinets, the result of the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

many squabbling and internally divided parties, had brought matters to such a pass that de Gaulle was generally recognized as the only alternative to such undesirable prospects as military dictatorship, anarchy, and civil war.

It was only a government like de Gaulle's, stable and mildly authoritarian, that, in all probability, could have imposed the regime of order and sanity in French economics and finance. Here again, old-fashioned economic common sense has worked wonders in giving France a stable currency and replenishing gold and dollar reserves which had been depleted almost to the vanishing point at the time when de Gaulle took over power in the spring of 1958. Foreign trade has been considerably liberalized and France, as a member of the European Economic Community, has assumed the obligation to expose its industry to the increasingly free competition of the other members of the Community.

Socialists without a Cause

Far from being a wave of the future, socialism in Western Europe now looks more and more like an obsolete relic of the past. For Europe today, having turned away from the rationing and controls and state planning and state meddling which were characteristic of the time immediately after the end of the war, is riding the crest of a wave of prosperity. The Soviet Union may continue to send rockets to the moon and adjacent planets. But there is no serious prospect that in any foreseeable future the Soviet standard of living will come anywhere near the American. On the other hand, there are several European countries – Great Britain and Germany, France (especially if it can shake off the incubus of the Algerian war), prosperous little Belgium and Switzerland, always true to the principles of economic individualism – that could quite conceivably within the next decade rival America today in terms of *per capita* consumption of food and consumer goods, in housing, even in motor transport.

Intelligent socialists are more and more willing to admit the need for rethinking their principles if they talk "off the record and not for attribution." A prominent British trade-unionist, an old acquaintance of the writer, made these remarks on the eve of the recent British election:

"Very few workers give a pin now about nationalization. Just as a matter of prestige and consistency the Labor Party put in a proposal to re-nationalize steel and motor trucking; but if they lose the election, and I'm afraid they

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

will, you will probably hear no more about it. We don't sing *The Red Flag* any more at Labor meetings and there isn't one person in a thousand in the Labor movement who would know the words or the tune of the *Internationale*. What the workers in Great Britain are interested in is not socialism in the Marxist sense; it is more social equality – the sort of thing you have in America – more chance, for instance, for the poor boy who is bright and capable to go to the best schools and colleges."

West German Recovery

One finds this same drift away from conventional socialism in its homeland, Germany. When Erhard started his experiment in a free market economy (after a long period of wage and price control under the Nazis and under the foreign military occupation), Social Democratic spokesmen thundered against it on the ground that it would make the rich richer and the poor poorer. But this line of attack boomeranged as real wages increased rapidly and steadily. Then the Social Democrats shifted their intellectual gears and in 1957 dropped the demand for nationalization of the coal, iron, and steel industries from their election platform. They then took up the line that they would carry out Erhard's ideas of free competition better than Erhard could himself. The voters were not impressed.

Rising Level of Living

What has been more effective than any amount of theoretical argument in destroying Marxism as a vital faith in Europe has been the penetration into the older continent of American ways of life. For the first time in history, the European worker, at least in the more skilled grades, sees the opportunity of becoming a house owner and a car owner, of enjoying an annual vacation in some foreign resort. His wife is getting used to such household labor-saving devices as the refrigerator and the washing machine. And the American image of individual opportunity and unplanned abundance looks more attractive to the modern European worker than the Soviet image of planned scarcity and continual sacrifice of present enjoyment for what is represented as the benefit of future generations.

The "proletariat," or industrial working class, was never as badly off as Marx made out in *Capital* and other writings. But before World War I, even up to World War II, there was a gulf, social and economic, between the manual workers and the middle classes in Europe that was not paralleled in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the United States and that provided fertile soil for socialist propaganda. It was much more difficult to move from one "class" or social group into another than it was in the United States, where it has always been taken for granted that poor boys may become rich men and that rich men may lose their wealth.

Now, however, the European "proletariat," instead of becoming poorer, more numerous, and more revolutionary, in line with Marx's predictions, is fully sharing in the generally improved well-being. Indeed, it is almost disappearing as a result of the leveling, upward and downward, that is a marked feature of Europe since the end of World War II. A skilled mechanic, in this era of full employment, can demand and get a wage that puts him, economically, on a par with the middle class.

Moderation in All Things

Against this background of increasing adoption of American mechanical conveniences and enhanced prosperity two things have happened. European socialists have become more moderate and European voters have displayed an inclination to turn away from even moderate brands of socialism.

A very intelligent official in one of the smaller European countries, a member of its socialist party, who was willing to talk only on a "Don't quote me personally" basis, offered what seemed to me, on the basis of my own observation in this and other countries, a pretty convincing explanation of what has been happening in Western Europe since the end of the war:

"Both socialists and liberals have changed their positions considerably. Socialists have given up ideas of violent revolution, have become indifferent to nationalization and quite disillusioned with rationing and state planning. Liberals are prepared to accept social welfare measures and the necessity of government intervention to ward off major economic crises."

As this remark indicates, to say that European socialism is in eclipse does not mean that European economies are run along lines which economic libertarians would endorse. Conservative and moderate parties today accept measures of government intervention and social welfare legislation that their fathers and grandfathers would have vigorously fought, as socialistic.

The very words socialism, conservatism, liberalism are not hard and fixed and constant in their meanings. All acquire differing meanings in the context of changes of time and country.

But what is unmistakably true and significant is that Marxism,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

once a powerful faith in Europe, has been consigned to the mothballs. Europe, at least that larger and more prosperous part of Europe which is outside the Iron Curtain, was faced at the end of the war with a choice of two roads, one leading to out-and-out socialism, the other to the mixed economies of the present time, in which the voices of eloquent advocates of the free economy like Wilhelm Roepke in Switzerland, John Jewkes in England, Jacques Rueff in France, the late Walter Eucken, and others who carry on his tradition in Germany are heard with increasing respect.

To the visible considerable benefit of its economic health and general well-being, Europe, for the most part, has chosen this second road. ◆

EDITORS NOTE: *Though optimistic, Mr. Chamberlin recognizes that Europe's path back to freedom is lined with many stumbling blocks, some of which are highlighted in the following article.*

The European Economic Community

HANS F. SENNHOLZ

THE FORMATION of the European Economic Community, or Common Market, is another attempt by the governments of Western Europe to escape from the detrimental effects of governmental planning and regulation. Previous attempts took the shape of the Benelux Economic Union, the Economic Commission for Europe, the Organization for European Economic Cooperation, the Council of Europe, the European Payments Union, and the European Coal and Steel Community. All of them reflect the general recognition that high eco-

Dr. Sennholz heads the Department of Economics, Grove City College, Pennsylvania. A more elaborate discussion of various efforts at political unification of Europe appears in his book, *How Can Europe Survive?*, D. Van Nostrand (1955).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

nomic productivity and living conditions require some international division of labor and exchange of goods.

The Common Market, which was established by the Treaty of Rome on March 25, 1957, is to be a free trade area consisting of Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands. Its basic features are determined by the following provisions of the Treaty:

1. All foreign trade restrictions among the six member states are to be abolished gradually over a 12 to 15 year transition period. However, where the necessary readjustments are too severe, the transition period may be extended.

2. The member states will impose uniform tariff and other restrictions on the imports from the rest of the world.

3. The movement of labor, capital, and business enterprises among the member states is to be permitted, and all payments are to be freed.

4. Monopolies, cartels, and other trade restrictions are prohibited unless they facilitate improvements in production and distribution or in technical or economic progress.

5. The monetary and fiscal policies of the member states are to be coordinated.

6. The controls of and subsidies to agriculture which will be continued are to be made uniform throughout the Union.

7. The colonies and associated territories of the member states are to be linked to the Common Market.

8. The "Social Fund" is to compensate workers for economic injuries resulting from trade liberalization.

9. The member states, which agree on the need to improve living and working conditions and to equalize such conditions at rising levels, are to establish two investment funds for the advancement of less developed areas, one to be employed in Europe, the other in the associated territories.

A Dubious Terminology

Before we enter into a critical analysis of these community provisions, we must question the use of the adjective "European" in the official name of the Community. The term "European Economic Community" implies a community of all or, at least, most European nations. It suggests some form of unification of Europe. In reality, however, it is an organization of only six nations out of a total of 18 noncommunist nations in Europe. Such outsiders as Great Britain, Switzerland, Norway, Sweden, and others contend, with some justification, that the "European"

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

terminology is misleading if not an outright usurpation. They bitterly reject the implication that their refusal to join is "non-European" or even "anti-European," or that the Community constitutes the nucleus around which might form a more inclusive European Community. According to most critics in England and other nonmember countries, the "European Economic Community" is but a regional organization that harbors the danger of trade discrimination against nonmembers.

The critical observer also must question the use of the term "market" in the official description of the Community. The term "common market" seems to reflect an objective of a supranational market economy, that is, a large market where economic phenomena are determined and regulated by market forces, such as consumers' choices and free prices. But such an achievement seems threatened by the existence of numerous nonmarket factors. Supranational governmental planning, in fact, is to prevail in many phases of the economic life in the Community.

A Subterfuge from the Failure of National Planning

Individual freedom and free trade are opposed to governmental economic planning on every level, be it state, federal, or international. For in every instance, governmental planning means curtailment of individual freedom, interference with the choices and decisions of consumers, and reduction in productivity and output.

But supranational governmental planning, which is a fashionable subterfuge from the disastrous consequences of national economic planning, is subject to a number of additional objections.

It leads to the formation of economic blocs which bring on a further disintegration of the world division of labor and peaceful cooperation. Because supranational economic planning distributes the spoils and privileges of government intervention over different nationalities, it causes strife and conflict among the member states. A planning union, therefore, harbors forces that cause its early disintegration.

When the disastrous effects of national economic planning become apparent to everyone, planners seek solace and hope in international planning. Through international agreements they hope to prevent, or at least delay, the return of competitive capitalism. The European Economic Community is such a delaying action by the planners in Europe.

The imposition of a uniform tariff on imports from the rest of the world is typical government

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

planning. Consumption and production are to be directed and regulated by tariffs. A tariff on Swiss watches, for instance, not only will curtail the enjoyment of Swiss watches by all EEC consumers but also will affect the manufacture of watches within the Community. The protected industry in Germany, France, or Italy will be more profitable than it would be otherwise, and is thus induced to expand. But such an expansion will cause the withdrawal of capital, labor, and materials from other industries and curtail their production. All these adjustments and many indirect effects inevitably result from the tariff intervention.

The Common Market Treaty does not envisage free trade in agricultural products. This limitation affects a vast number of goods which may be called "agricultural." It is true, governmental regulation of agriculture is to be uniform throughout the union. But this uniformity does not make for free exchange. A uniform subsidy program that is to help the grain farmers, for instance, would be a windfall to farmers in those countries that now pay no subsidy. But it would hardly lead to an unhampered market for agricultural products.

The "Social Fund" to compensate workers for economic injuries resulting from trade liberalization obviously is a nonmarket institution. It is to be financed by the member governments, the funds to be disbursed in a way government officials see fit. As the injury to workers is likely to consist of unemployment caused by market readjustments, the Fund probably will pay a kind of supranational unemployment compensation. But unfortunately, such payments tend to retard the necessary labor adjustments. If they are high, relative to a man's earnings from labor, they may in fact prevent the readjustment altogether.

The governmental agreement on the need for development is another indication of the nature of the Economic Union. If governments undertake to improve living and working conditions, they usually resort to labor legislation, such as minimum wage laws, to nationalization of industries, formation of governmental enterprises and, above all, intensive labor regulations and controls. The two investment funds for the advancement of less developed areas clearly corroborate this conclusion. For when a government embarks upon investments and developments, it either owns, manages, or controls the enterprise. From the point of view of market adjustment, its investments always disregard the market; the fact that the market hitherto had

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

not provided such investments proves that the government investments are contrary to the market order. The same can be said about the colonial investment fund. The fact that the governments deem it necessary to develop the colonies indicates rejection of the decisions of the market concerning colonial investments and development; thus government planning supersedes the market order.

Another feature of central control over the projected Economic Community is the government control over monopolies, cartels, and other trade restrictions. In order to determine whether such organizations or restrictions "facilitate improvements in production and distribution or in technical or economic progress," extensive government supervision is required. A new bureaucracy with investigators, prosecutors, and judges is needed to decide on the desirability of certain business organizations. Judging from the American experience with antitrust legislation and regulation, these antitrust provisions of the Treaty will constitute a convenient gateway for government control of big business. Meanwhile, it may be assumed that the numerous government monopolies, cartels, and trade restrictions will be exempt from supranational control by the Community.

The Seeds of Failure

In spite of these new supranational attempts at central planning, there is little prospect for the development of an effective economic bloc. For EEC faces certain difficulties on which all previous attempts at unification have run aground. It harbors the seeds of internal conflict and failure. Supranational coordination of the various governmental policies conflicts with national interests as seen by the planners. Each act of intervention is the result of so-called social considerations and special interests. Governmental intervention is thought to be identical with "social progress." Therefore, any attempt at supranational coordination necessarily conflicts with national "social progress." And "social progress" usually prevails over the desire for international coordination.

Take, for instance, the Common Market tariff against the outside world. A supranational agreement on the height of the tariff barriers is most difficult to attain because any change of the present national tariff barriers would conflict with social considerations and special interests. The French automobile industry, for instance, enjoys high tariff protection which safeguards its existence within the French market. On the other hand, Holland, which lacks any significant

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

car production of its own, has no protective trade barriers. How are the two countries to agree on the Common Market tariff? The French will want to continue their protective barriers without which their automobile industry probably could not continue its present operations. The Dutch, on the other hand, will want to import foreign cars.

Import restrictions always cause gains and losses. In a supranational union with outside tariff barriers, the losses and gains are distributed over different nationalities. They become a matter of bargaining, bickering, and conflict between the member governments. It is true, tariff protection is possible within a national economy as long as the majority of the people can be persuaded that some fellow countrymen – for instance, the car makers, wine growers, or dairy farmers – deserve special consideration and protection. But it is quite a different matter to persuade another nation to bear sacrifices for an alien industry clamoring for protection. It is indeed hard to believe that the French and Italian people would consent to higher goods prices because a certain German industry demands protection from American imports. Conversely, German consumers would be reluctant to pay higher prices for certain products merely to please a French industry clamoring for tariff protection.

Immigration Policy?

The same inherent difficulties exist with regard to the projected freedom of movement of labor, capital, and business enterprises. While the member states will doubtless permit the immigration of capital and enterprises, they may be expected to balk at any emigration. And will a free migration of people ever be permitted? Free migration tends to lower the standard of living of the people receiving the immigrants because it lowers the marginal productivity of labor. Of course, it also increases the marginal efficiency of capital and therefore increases the yields of capital.

In the Economic Union many Italians, whose living conditions are the poorest in the Union, probably would want to seek employment in France, Germany, or Belgium where wage rates are higher and living conditions better. Such a migration would reduce wage rates in France, Germany, and Belgium, although it would improve conditions in Italy. The crucial question is: Are the French, German, or Belgian workers prepared to accept wage reductions, or suffer unemployment, to accommodate an influx of aliens? In my belief, this question must be an-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

swered in the negative. The projected freedom of migration within the Economic Union, therefore, is illusory like many other provisions of the Treaty.

The two investment funds for the advancement of less developed areas will face similar nationalistic resistance. Bearing in mind the present pressure for government spending and the resultant government deficits, will any government be willing to contribute to a fund for the development of a "less developed" area in another country? Will the Germans consent to their money being spent on the development of French territories, or the French willingly contribute toward the development of Italy? It is more likely that the German contribution will be used in "less developed" German areas, the French contributions in France, and so on.

Conflicting Monetary Policies

Also, the planned coordination of monetary and fiscal policies will probably meet failure because of national policies in these matters. The various member governments tend to expand credit in various degrees. Depending on the state of business, on unemployment, on the desire for growth, or on mere political considerations, one government will want to "stimulate" its national economy through credit expansion, deficit spending, or both. Another government may endeavor to stabilize its currency through hard-money policies. The former soon will lose its foreign exchange reserves, the latter will accumulate them. A foreign exchange imbalance will arise. Judging from past experience, the foreign exchange shortage probably will be met with foreign exchange controls, import quotas, and other trade restrictions against foreign countries, including the Community countries.

A coordination of fiscal policies — spending and taxation — would require a readjustment of the whole economy. For economic production always adjusts to a given tax structure. One can readily imagine the public protest and political pressure by those people who would be hurt by a tax coordination. It is unrealistic to assume that a Frenchman would consent to new or higher taxes merely to be coordinated with German taxpayers, or vice versa.

The foreign aspect of state intervention is economic nationalism which constitutes a continuous source of international conflict. Two interventionist systems cannot be coordinated unless the coordination is accompanied by a political unification. The latter, however, would necessitate a radical change of national policies and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

a painful economic readjustment. It is unlikely that anything but brute force could bring this about. And a political and economic unification through force would in turn generate other powerful forces that soon would cause disintegration.

Free Trade Needs No Agreements

EEC as a supranational union for central planning must be expected to meet with failure. But EEC also reflects the growing recognition that economic progress and prosperity require foreign trade and markets. This laudable recognition points toward the only conceivable future for the Community. As a supranational organization for the reduction of trade barriers, EEC could indeed be the forerunner of a growing free trade area.

But, are international agreements and supranational organizations necessary for achieving free trade? Why do not the member governments merely abolish their trade restrictions if they really want the freedom to trade? Let each one abolish its own tariffs, quotas, foreign exchange controls, and other governmental restrictions. There is no need for concerted action. The country that would adopt free trade first would benefit immediately. Its economic growth and prosperity would show the way for others to follow.

International agreements tend to hold back the nations most eager to re-establish the freedom to trade. The member state most reluctant to abandon its controls and restrictions most likely sets the pace for the projected trade liberalization. And all other governments then have a welcome excuse for a continuation of their restrictions "because this or that other government does not participate." Thus, international agreements tend to shift the responsibility for governmental controls from one country to another and therefore perpetuate them. And this omninous tendency, built into the European Economic Community, precludes its success.

IDEAS ON LIBERTY

Foreign Policy

IT IS A maxim founded on the universal experience of mankind that no nation is to be trusted farther than it is bound by its interest. . .

GEORGE WASHINGTON
Letter to Henry Laurens, 1778

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

WHERE "Bigness" IS A Blessing

THE "LIBERALS" of the Brandeis generation were firmly convinced that Bigness (which they usually spelled with a capital B) was a "curse." It was a curse because it tended to concentrate power. And it was a curse because it resulted in sluggishness and inefficiency.

The Brandeiseans generalized from the facts around them. But at this point in time one can see that they generalized altogether too hastily. They didn't distinguish sharply between two types of power. The big economic unit that operated on its own, without government support in the way of subsidies, tariffs, or police protection for "rackets," could hardly be vicious. To the extent that it served the public, by attracting good workers and by dispensing useful products at a low price, it was a blessing. To the extent that it became sluggish and inefficient, it was bound to yield ground to the lean, hard newcomer in the field.

On the other hand, the big economic unit that acted with the power of government behind it could be a menace. But such units, today, are few and far between. It is the small unit – the cotton and wheat and peanut farmer, the building trades contractor with a "deal" at City Hall – that shelters itself today behind the strong arm of the law. And it is the government-fostered multi-company labor union, not the big manufacturer, that can successfully fix the price of what it has to offer in the market place.

The distinctions that tended to escape the Brandeisean generation are uppermost in three recent books that zero in on the subject of business size. To Chairman Roger Blough of the United States Steel Corporation, whose *Free Man and the Corporation* (McGraw-Hill, 126 pp., $4.50) grew out of a series of McKinsey Foundation lectures delivered at the Columbia University Graduate School of Business, the "voluntary association," no matter how big, can hardly do wrong for very long without losing the sanctions that have attracted people to it. To James C. Worthy, vice-president of Sears, Roebuck and Co., author of *Big Business and Free Men* (Har-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

per, 205 pp., $4.00), the big business that departs from "human values" will find it cannot operate in the predominantly ethical American atmosphere. And to Osborn Elliott, the managing editor of *Newsweek* who interviewed some two hundred businessmen for his *Men at the Top* (Harper, 320 pp., $3.95), the big corporation "tycoon" is such a various, individualistic, and unpredictable animal that it would be senseless to imagine any large number of his species having the docility that is needed to concert a conspiratorial action.

Unstandardized Businessmen

Mr. Elliott's book is, for the most part, a what-do-they-eat, how-do-they-talk, where-did-they-come-from study in human interest. It yields few generalizations other than the big one that the American businessman is far from a standardized product. For example, if Mills Lane of Atlanta, Georgia, president of the biggest bank in the Southeast, wants to beat a competitor into a new territory, he will open up an office in a log cabin while his own architects are busy with the blueprints for a more permanent building. And when Crawford Greenewalt, president of du Pont, wants to amuse himself, he is apt to sneak off with a camera to photograph humming birds. Though good for organizations, these are not stereotyped "organization men."

Among the individualistic tycoons interviewed by Mr. Elliott, U. S. Steel's Roger Blough emerges as a very gentle scholar. Time was when U. S. Steel – the "corporation" – did seem to prove the Brandeisean contention that bigness must result in sluggishness. Where it once did two-thirds of the nation's business in steel, it slowly permitted its competitors – Bethlehem, Republic, and the rest – to cut themselves bigger and bigger pieces of the total steel pie. While the "corporation" may have done this purposefully, with one eye cocked on the antitrust watchdogs in the Department of Justice, the slide could have become disastrous if it had become a habit. But Bigness, in the case of U. S. Steel, proved capable of developing its own internal antibodies. And one of these antibodies was Roger Blough, the farmer, schoolteacher, and lawyer who specializes in the soft approach.

A Big Service

In his own "soft-sell" book Mr. Blough argues that the American corporation, like any other voluntary association, can prosper only as it serves the purposes of those who freely join it – or who freely

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

buy the products it offers. If it does not pay good dividends, it will not attract investors. If it does not provide its workers with good "labor-extending" tools and make them happy while using them, it will tend to lose its good men to competitors both inside and outside its own type of business. If it does not watch its pricing policy, it will soon discover that German and Belgian steelmakers, say, are taking its barbed wire or tinplate customers away from it. And if it does not support higher education, it may find itself with a deficient supply of technicians and executives in the coming generation.

Mr. Blough is not impressed with the argument that the big must inevitably eat up the small as our industrial development goes its merry way. As he notes, there are 4.3 million "production groups" of all sizes in the U. S. These "voluntary productive groups" have at least 13 million individual owners who are either stockholders or proprietors. Some 900,000 of the 4.3 million "production groups" are incorporated. Each year witnesses a weeding out of the more inefficient production groups; in 1957, for example, 332,000 units shut up shop. But in the same year 365,000 new groups came "in." With the continued formation of small units at the bottom of the business pyramid, the profits of the big corporations have represented a declining share of our national income during the past thirty years. As for the steel business itself, U. S. Steel has increased its capacity more than two-and-one-half times in a half-century. But during this same fifty-year span, the competitors of U. S. Steel have multiplied their capacity nearly seven times.

U. S. Steel, under Roger Blough, has coped with the problem of internal bigness by centralizing its policy-making and by decentralizing its administration and its operations. And it has sought to give its individual workers a feeling of both creativity and safety within the organization, meanwhile leaving them alone to be "citizen men" as they see fit outside of their working hours.

All of which brings Mr. Blough very gingerly to the topic of the big compulsory multi-company union. The multi-company union, he says, tends to ignore "the need for a production unit to compete as a cohesive whole." Where some companies have a productivity that would enable them to pay higher wages and still compete "as a whole," it does not follow that all companies can meet the same wage scale, particularly in a period when prices can no longer be pushed higher with impunity.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Ethics of Mass Marketing

Mr. Worthy's *Big Business and Free Men* is similar to Mr. Blough's book in its general outline. But, where Mr. Blough tends to illustrate his points by citing examples from the steel industry, Mr. Worthy ranges all over the lot, drawing on his own experience in the Department of Commerce and from a wide acquaintance with management literature. He argues that American industry developed in a certain moral climate, and that it must stick to "Judeo-Christian" concepts if it is to prosper. The "mass market," he says, is an ethical concept even more than it is an economic; it rests on the notion that everybody ought to consume. "The American factory system," he says by way of amplification, "grew up within an economy in which workers, consumers, and the public were all the same people." It was not so in England, where the workers lived in Manchester and the consumers and the "public" might be in India, in Buenos Aires, or in Timbuktu.

Another difference between England and America resided in the nature of the labor market itself. Because of the scarcity of workers in America, we had to make "better use of the limited supply of technically trained people." To "spread these people thinner," we developed labor-saving – or, rather, "labor-extending" – devices. As our "cost of labor" went down because of "labor-extending" tools, individual wages rose. And the mass market became a possibility.

Mr. Worthy is critical of the "scientific management" movement because of its distrust of spontaneity. He thinks that managerial paternalism, trade unionism, and the Welfare State are all manifestations of the same animus against individual responsibility and creativity. He supports the profit-sharing plan of his own company, Sears, Roebuck, not for reasons of economics or charity, but because of its symbolic value; it generalizes an "attitude of pride" throughout the organization, and thus serves as a morale-building cement. The important thing about the "pride generalizing" device, he says, is neither "technique" nor "ritual." It is the "spirit" behind it. Different companies will use different devices, but every company must find some workable pride-creating "symbol" if it hopes to live in a time when the big multi-company union stands ready to exploit any manifestation of employee dissatisfaction.

Mr. Worthy proclaims himself an anti-conservative, but it is noteworthy that his own type of liberalism is not that of most self-proclaimed liberals of the modern

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

breed, who are pushovers for statist solutions. For example, Mr. Worthy would tackle unemployment not by federal "tax and spend" methods but by modifying the tax laws to "encourage capital formation." The businessman's effort, he says, "should be directed toward finding or developing" nongovernmental solutions wherever possible, and "applying them with vigor and effectiveness." As a professional public relations man, Mr. Worthy is perhaps overimpressed with the uses of semantics. But when he calls on businessmen to show "greater initiative in putting forth proposals" of their own instead of waiting to react "to the proposals of others," he is not being semantical, he is being practical. Action, after all, is the best public relations.

THE AMERICAN CONSTITUTION *By Herman Pritchett.* New York: McGraw-Hill Book Company. 719 pp. $10.75.

PROFESSOR PRITCHETT has based his book on two fundamental assumptions. The first is the statement by Charles and William Beard (opposite p. vii) that the theory that the Constitution is a written document is a legal fiction, that it cannot be understood by a study of its language and history, that it is what the government and the people who count in public affairs recognize and respect, and that it is constantly changing. The second is a refinement of the first. The author accepts the statement of Chief Justice Charles Evans Hughes that in a great majority of cases the Constitution means what the Supreme Court says it means. So Pritchett has written a book to show how the Supreme Court has interpreted the Constitution.

If we could give full faith and credit to these assumptions, there would be little to quarrel with in this book on the Constitution. Using the approach of constitutional law rather than constitutional history, the author has done an excellent job of showing how the Supreme Court has interpreted the Constitution. After a brief history of the background and adoption of the Constitution, Pritchett concerns himself with the structure and powers of the institutions which make up the federal system—national and state governments, the judiciary, the legislature, and the executive—and with the constitutional limitations on national and state powers.

The book will be extremely valuable to students of both constitutional history and constitutional law, especially the latter. There are few problems in constitutional law that have not been treated

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fully. The historians will probably wish that more constitutional history had been included; but in spite of the author's contention that "the historian cannot recreate history and often cannot even explain it," he has relied heavily on constitutional historians for his background. This could not be otherwise, since all knowledge is in a sense historical knowledge, and since all the cases that have come before the courts have involved historical investigation.

Granting that the book is valuable does not mean it should not be read critically. I should like to comment first on the historical aspects of the work, where I am most competent to judge, and then raise some questions about the philosophical basis of the book.

In Part I dealing with the formation of the Constitution are to be found some errors that give us an erroneous conception of the Constitution. Unfortunately, Pritchett probably acquired these errors from historians.

For one thing, the French and American Revolutions did not introduce the idea of a written constitution, at least not in this country. Colonists had long considered their charters as written constitutions which safeguarded basic principles. Assemblies and governors both consulted these documents to find sanction for their acts, and the governors in particular often complained of the restraints imposed on them by colonial constitutions. The Revolution simply allowed Americans to do without interference what they had been accustomed to do.

Secondly, natural rights before the Revolution were "life, liberty, and property," not "life, liberty, and the pursuit of happiness" as Jefferson said in the Declaration of Independence. He who leaves out the protection of property as a major function of government will not understand American society before 1787 nor the Constitution. A constitution that did not protect property would never have been adopted.

Thirdly, the struggle over ratification of the Constitution might have been bitter among the leaders of the opposing factions, but it was not very bitter among the people. A great majority of the people were either indifferent or approved of the Constitution. We must remember that as far as we can now judge, the Constitution won a greater popular majority than that enjoyed by Roosevelt in 1936 or Eisenhower in 1952. And if the large number who failed to vote had been very bitter, they probably would have voted against the Constitution.

Uncritical reliance on uncritical historians has led the author into

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

contradictions. He would have us believe (p. 10) that colonial society was undemocratic because the lower classes were generally excluded from political life by property and religious qualifications for voting. Then we are to believe that the new state constitutions after 1776 violated the democratic principles of the Declaration of Independence by retaining these qualifications. Yet the state legislatures, undemocratically elected by a restricted electorate of property owners, were the cause of the move for the Constitution (p. 12). But on page 29, the author tells us that "property qualifications for voting excluded few from the polls, and that the Constitution was adopted by people who were primarily middle-class property owners, including farmers." We will not properly understand American constitutional development before 1789 until we realize that it took place in a society composed largely of property owners who could vote.

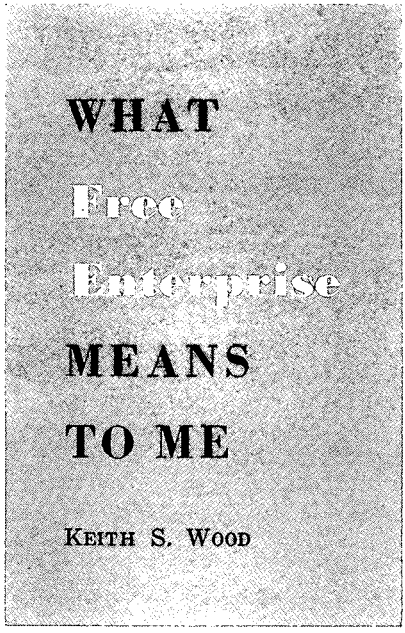
A final criticism has to do with the philosophical assumptions of the author. Have we reached the point of accepting the Beard generalization that the written document itself means nothing and that all that matters is what the important people really consider to be the Constitution? If we have, then we are confessing that we are guided only by interests, not by principles. From this it follows naturally that fascists and communists have a perfectly valid argument for opposing the Constitution by any effective means, since by becoming the important people, they can rightfully say what the Constitution is. Does not such a concept of the Constitution leave us afloat on a boundless and turbulent sea without either compass or rudder?

I doubt very much that this has actually been the philosophical basis for our constitutional development. If it is true that the Constitution is what the Supreme Court says it is, it is equally true that the members of the Court must read the Constitution very carefully and are greatly restricted in their actions by what they find there. If the President and Congress are constantly changing the Constitution, they, too, do so under its restraining influence. But when the score is added up, and in spite of the many deviations, the fundamental principles still confronting the Supreme Court in its interpretation of the Constitution are the protection of life, liberty, and property.

ROBERT E. BROWN

Professor Brown is in the Department of History at Michigan State University. He is the author of *Charles Beard and the Constitution: A Critical Analysis of "An Economic Analysis of the Constitution."*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



FREE ENTERPRISES are the things free people undertake to do – as individuals or in groups.

Before a free enterprise can be undertaken, certain basic human rights must exist and be protected. The most fundamental of these is the human right to the fruits of one's own labor – private property.

This right should exist with as few restrictions as possible: there should be freedom from excessive regulation, excessive taxation, and from expropriation by government – and government should be so ordered that these desirable conditions can be depended upon to *exist over a long period of time.*

From the wellsprings of private property and the free enterprises which it supports spring forth all the ingenious and benevolent undertakings with which our country is so generously blessed.

Our churches are free enterprises! So are our private schools and hospitals.

Individuals in whatever kind of free enterprise they find themselves *should help those in other kinds defend the freedoms which make their undertakings possible.*

A free enterprise need not be for profit to its owners (though such an organization is one of the finest examples of free enterprise). The purpose can be anything its owners choose for a purpose – *except the destruction of, or infringement on, the freedoms* upon which the lives of all free enterprises depend.

What is "free enterprise"? It is the means used by free people to provide for their wants and their needs – the *only* means which has demonstrated its ability to provide these things abundantly. Its endless variety is simply a measure of how uncommon a man can be!

Mr. Wood is President of Wood Brothers Manufacturing Company, Oregon, Illinois.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Freeman

THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

THAT ELUSIVE "NATIONAL INCOME"

■ The first thing to be emphasized about the national income is that it is an **arbitrary**, and from the standpoint of scientific precision an **indeterminate**, figure. . . .

Larger crops often have a smaller total dollar value than smaller crops. (Hence crop-restriction schemes.) But this merely illustrates a wider principle. Economists have pointed out since the time of Adam Smith that it is not "value-in-use," but scarcity, that determines "value-in-exchange," or money price. Water is an indispensable commodity that ordinarily commands no price at all. If more and more things become plentiful (except dollars), the national income, as measured in dollars, might begin to fall. If we could imagine a situation in which everything we could wish for was in as adequate supply as air and water, we might have no (monetary) national income at all!

Henry Hazlitt, "The Failure of the 'New Economics,'" Princeton: D. Van Nostrand Company (1959)

To: _____

street _____

city _____ zone _____ state _____

PLACE 4½-CENT POSTAGE HERE

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED